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Consolidated Financial Statements

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Northumbria University, Newcastle has made significant achievements over the past year. These put us in a strong position as we move forward to deliver our ambitious vision to transform Northumbria into a research-rich, business-focused, professional university with a global reputation for academic excellence.

By putting the student at the heart of Northumbria, through a combination of academic excellence, an outstanding student experience and strong prospects for graduates, we attracted a record number of student applications this year, with more high-achieving students, as measured by A-Level or equivalent qualifications, accepting places on our programmes than at any point in our history. Student satisfaction remains consistently high – and ahead of the sector average – with five subject areas receiving a perfect overall satisfaction score in the latest National Student Survey (NSS). The Student Experience Survey carried out by Times Higher Education saw Northumbria climb 22 places to 23rd position over a two year period, while in the latest Guardian league table, five subject areas now feature in the top 20 – Architecture, Education, Modern Languages, Social Work and Building.

Latest figures on graduate employability put Northumbria in the top 10 UK universities for students entering professional employment, and we are increasingly the university of choice for high-achieving students in the North East.

Northumbria's reputation as a research-rich university has been consolidated in recent years. At the point of publishing these Financial Statements, we will have submitted to the Research Excellence Framework (REF) 2014, as the national system for assessing the quality of research in UK Higher Education Institutions (HEIs). One of the key performance indicators (KPIs) identified in the Corporate Strategy (2009-14) was to double the number of staff entered in REF 2014 from the 2008 Research Assessment Exercise (RAE). We look to have achieved, if not exceeded that target. The outcome of the REF will not be known until late 2014, but what is clear is the growth in research capacity and reputation, attracting and retaining world-class and internationally-leading researchers in their field across all of our Faculties, leading distinctive research centres and partnerships, and attracting more research funding and recognition from a range of sources.

Our achievements over the past 12 months, and our solid financial position, provide a strong foundation from which we can work towards making the ambitious Vision 2025 a reality. The achievements detailed in this report show just how successful Northumbria is and that its financial performance places it in a sustainable position to meet the objectives of the Corporate Strategy 2013-18. By harnessing the talent and expertise of all of our staff and students, we will be able to build a strong future for the University.

These successes demonstrate Northumbria's potential to improve still further, and we cannot be complacent. These are challenging times for HE, and if Northumbria is to compete effectively, then we must move forward. The University's Vision 2025 is radical in its ambition, and the Corporate Strategy 2013-18 which outlines how we will achieve the Vision is a bold but necessary step in the process of transforming Northumbria.

Professor Andrew Wathey

Vice-Chancellor & Chief Executive



As Chair of the University's Board of Governors, I am pleased to introduce the Financial Statements for 2012/13. These highlight the University's vast range of achievements over the past 12 months, and the very strong position Northumbria now finds itself in as it looks forward to another year.

Our growing attraction for high-achieving students is one of our most important achievements and it is good to see so many recognising Northumbria's distinctive appeal. Our success in the National Student Survey (NSS) is also to be celebrated, as it shows that Northumbria's commitment to putting students first is really starting to have a tangible impact.

Through outstanding teaching and learning, innovative research and our collaborative work with partners at home and overseas, Northumbria is already transforming lives. The journey we are now on is to transform the University itself.

The successes reported in this document, combined with the solid financial performance of the University in a challenging economic context for the HE sector and beyond, are testament to the talent, passion and commitment of all those who work, study and engage with the University. This is a stable platform from which we can achieve our ambitious goals.

Chris Sayers

Chair of the Board of Governors

Introduction

The Financial Statements comprise the consolidated results of the University during 2012/13. The statutory section of the Financial Statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and the Accounts Directions for the period issued by the Higher Education Funding Council for England (HEFCE).

History and Development of the University

Northumbria's international reputation is the result of a distinctive combination of outstanding academic research and teaching, innovative programmes, traditional values and social and cultural diversity. Since its foundation in the city of Newcastle upon Tyne, the University has developed into a successful regional, national and international institution. Originally known as Newcastle Polytechnic, the University was formed in 1969 from the amalgamation of three regional colleges: Rutherford College of Technology, the College of Art & Industrial Design, and the Municipal College of Commerce. These colleges themselves had origins which were deeply rooted in the region. This philosophy of offering real world business-focussed programmes which relate to the professions across the University's broad academic portfolio continues to this day. In 2012, the University celebrated the 20th anniversary of its inauguration as a University.

Northumbria's Vision for 2025 is to be a research-rich, business-focused, professional university with a global reputation for academic excellence. The University is firmly on this journey, with a growing research reputation, increasing demand from high-achieving students, above average student satisfaction, and an excellent record in graduate employability. Combining academic excellence with a real-world focus, Northumbria now sits in the top ten of UK universities for the number of graduates entering professional employment.

Northumbria's City Campus is located in the heart of the vibrant city of Newcastle-Upon-Tyne in the North East of England. Newcastle has been voted best student city for three years in succession in the MSN.com travel survey. Northumbria is one of the key contributors to the growing reputation of the city, and the University of choice for an increasing number of students: 2012/13 saw the highest ever



number of applicants to the University for 2013/14 entry, and more high-achieving students accepting places on our courses than ever before, placing the University ahead of HEIs with a tradition of attracting students with ABB+ at A-Level (or equivalent).

More than £200m has been invested in Northumbria's estate, environment and facilities in recent years, including the development of the £30m Sport Central complex. The scale and pace of investment has been a key driver in meeting the University's goal to deliver an outstanding student experience, and has done much to raise satisfaction levels among students. Northumbria climbed eight places in the 2012 Student Experience Survey conducted by Times Higher Education, with students rating the University's facilities among the best in the country. This was reinforced in the most recent NSS, which saw our students rate

Northumbria highly – above the sector average – with five courses receiving a satisfaction score of 100%.

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

With more than 35,000 students, Northumbria is the largest university in the North East of England, and has a national and global reach, with a satellite campus in London, and programmes delivered in collaboration with prestigious partners worldwide. More than 9,000 international students from 136 countries study at one of Northumbria's campuses, or on a Northumbria course overseas.

**Northumbria is embarking
on ambitious plans to
become one of the country's
most successful universities.**

Operating Environment

Global

Competition amongst UK HEIs to recruit international students remains strong, as evidenced by HEFCE financial forecasts. In this climate, an ongoing challenge for the HE sector is to work with Universities UK (UUK) and government to ensure that the student immigration system is fit for purpose and does not represent a barrier to international student recruitment, and the economic, social and cultural benefits this brings, not just to our universities but to society as a whole.

National

Northumbria, in line with the rest of the HE sector, is undergoing one of the most significant periods of change in decades. 2012/13 was the year in which the first cohort of new undergraduate students subject to tuition fees of up to £9,000 entered the University. At Northumbria, fees for 2012/13 were set at £8,500 and therefore lower than the level at which most HEIs set their fees for this year. The ability of HEIs to recruit unlimited numbers of students with grades AAB+ at 'A' Level, or equivalent, also helped shift the quality profile of undergraduate entrants, and is an area in which Northumbria has fared particularly well.

Regional

In 2012/13, the Independent Economic Review led by Lord Adonis for the North East Local Economic Partnership (LEP) proposed a number of recommendations to stimulate regional economic growth, and emphasised the role of regional HE in economic regeneration. The University has responded to the Review's recommendations, setting-out its support for the programme of initiatives envisaged in the North East. As the University with the largest number of students in the North East, and its business focus, Northumbria is a key player in this agenda.

Institutional Partnerships

In 2012/13 the University cemented its relationship with Live Theatre, a move which builds on its commitment to energise the creative sector in the North East – recognised when the University won the Best Arts and Business Partnership in the Journal Culture Awards 2013. Northumbria already has a prestigious, and national award-winning partnership with the BALTIC Centre for Contemporary Art, it is a key stakeholder in one of the UK's largest regeneration projects at Trinity Square in Gateshead, a unique partnership between the private sector, local government and the University. By working with other organisations to combine strengths and resources, the University is able to make a very real difference to the region's people, organisations and communities. During 2012/13, the University has continued to position itself, and be identified as, an anchor institution and driver in delivering a sound economic future for the NE region.

During 2012/13 the University has embarked on, and completed a major Organisational Restructuring to create the appropriate academic and professional services structure to respond to the new operating environment for the University, and as a platform for delivery of its new Corporate Strategy 2013-18. The University has consolidated its core activities of teaching and research from eight Schools to four new Faculties in 2012/13, to create a fit-for-purpose academic structural and staffing base to deliver the Corporate Strategy 2013-18.

The four Faculties are as follows:

- > Arts, Design and Social Sciences
- > Business and Law
- > Engineering and Environment
- > Health and Life Sciences

Key achievements of the Faculties are covered later on in this part of the Financial Statements.

Vision 2025 and Corporate Strategy 2013-18

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

Vision 2025

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

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

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

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



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



Corporate Strategy 2013-18

Under the umbrella of Vision 2025, the Corporate Strategy for 2013-18 was launched at the end of the 2012-13 academic year. The Corporate Strategy 2013-18 sets out the steps that are needed to take us from where we are to where we want to be as a University, and shows how we will develop our core activities of research, the student experience, international work and partnership working to achieve the overall goal of our vision. It is the first phase of achieving the step change set out in the Vision. Between 2013 and 2018 we will:

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

A SNAPSHOT OF NORTHUMBRIA'S ACHIEVEMENTS IN 2012/13

In the NSS 2013, **overall student satisfaction was rated at 86%** – ahead of the sector average for the second year running



91% of students would recommend Northumbria as a place to study (NSS 2013)



92% of our graduates are in employment or further study

six months after completing their studies, and is ranked in the top ten in the UK for the number of graduates entering employment (DLHE 2011/12)

Our academic programmes are **accredited by over 60 national and international professional bodies** meaning that students graduate with industry-approved qualifications and fast track into the world of work



2013 saw the **highest ever number of applicants** with more high-achieving students accepting places on our courses than at any point in the University's history



Research Grant and Contract Income (RGCI) grew by 15% in 2012/13, with funding from the Research Councils growing by over 50%



More than 560 employers: SMEs through to major multi-national companies, **sponsor Northumbria students**, reflecting the commitment given to the business focus and professional relevance of our academic programmes



MORE OF NORTHUMBRIA'S ACHIEVEMENTS IN 2012 / 13

INTERNATIONAL



Northumbria has over **9,000** international students from **136 countries** worldwide.



Over **3,000** international students come to study at the University's Newcastle campus, while nearly 6,000 study on franchised programmes overseas.

An agreement between **Northumbria and BINUS International University** builds on an existing partnership to extend the University's presence in Indonesia, through the introduction of new design programmes at both undergraduate and masters level.

Two Northumbria students became the first undergraduates to showcase their designs at **Jakarta Fashion Week** following a collaborative project with traditional Indonesian weavers.



RESEARCH AND INNOVATION

Fuse, the North East Universities' Centre for Translational Research in Public Health, in which Northumbria is a collaborating university, has been awarded more than **£4m over five years** as part of the UK Clinical Research Collaboration initiative. This supports the University in funding two research posts in the Department Public Health and Wellbeing and will open up opportunities for future research funding and recognition.

Northumbria is **one of only 18 successful centres** nationally, able to receive PhD studentships from the Arts and Humanities Research Council's (AHRC) Centre for Doctoral Training Scheme.



Northumbria received the European Commission **HR Excellence** in Research Award in recognition of its support for research staff career development.



In line with the University's objective to increase research grant funding across all subject areas, academics have been awarded a three-year **Leverhulme Trust grant of £259,193** to investigate 'Fashionable Diseases: Medicine, Literature and Culture, 1660-1832'.

An Economic and Social Research Council (ESRC) **grant of £235,000** has been awarded to Dr Tanja Bueltmann in History, to complete a Longitudinal Comparison of British and German Social Networking and Associational Formations in Modern-day Asia.



BUSINESS AND ENGAGEMENT

The British Library has partnered with Northumbria, Newcastle City Council and Newcastle Science City to operate the **first Business and Intellectual Property Centre** outside London.



The final stone was laid in the town centre square at Trinity Square in Gateshead, as the **£150m regeneration project** featuring shops, restaurants, a cinema and state-of-the art accommodation for 1000 Northumbria students from September 2014.

Northumbria was one of only two Associate Partners in the **British Science Festival** which came to Newcastle in September 2013 to showcase research and innovation in science.



A **new partnership was launched** between Northumbria and Northumberland County Council to boost the economy of the county through the transfer of business knowledge and ideas, students for placements and graduate employment and entrepreneurship to develop existing, and start new SMEs.

Northumbria won the Times Higher Education **'Award for Excellence in Innovation in the Arts'** for its major partnership with BALTIC Centre for Contemporary Art.



Northumbria won the award for **Best Arts and Business Partnership** from the Journal Culture Awards in 2013 for the BxNU Institute of Contemporary Art at BALTIC 39.

LEARNING AND TEACHING

Northumbria has **risen from 45th to 23rd** over a two-year period in the Student Experience Survey carried out by Times Higher Education, with students rating our facilities among the best in the UK.

Five subjects scored a **100% overall student satisfaction** rating in the latest National Student Survey: Architecture, French Studies, Human and Social Geography, and Mathematics and Statistics.



Northumbria's Nursing programme was ranked the best in the sector with a **score of 93%**, with over half of Northumbria programmes scored a satisfaction rate of 90% or above.



94% of Northumbria students are in work or further study within six months of graduating according to latest Destination of Leavers from Higher Education (DLHE) survey data.



Northumbria is in the **UK top 30** for the percentage of graduates entering professional employment, and in the top 15 multi-faculty institutions.

Northumbria is the **top university** across the entire North East, North West and Yorkshire and Humber regions for salaries commanded by graduates who remain in the Region.



REVIEW OF OPERATIONS

Tuition Fees and Funding

Northumbria University, Newcastle, has one of the most generous packages of financial support for students. A £16m investment in this area reflects the University's commitment to help high-achieving students regardless of their ability to pay.

- > **Fees:** The University has set a fee of £8,750 for 2013/14 for Home/EU undergraduates within the new fee regime. This is below the £9,000 fee cap already chargeable by most HEIs, although the University will move to £9,000 for new Home/EU undergraduate students enrolling in 2014/15.
- > **Widening Participation:** Northumbria is committed to widening participation. Its Access Agreement was ratified by the Office for Fair Access (OFFA). Progress towards widening participation objectives remains positive in a difficult environment.
- > **Bursaries:** Northumbria has invested significantly in its financial support for students as an integral element of its student recruitment and retention strategy. A means-tested bursary of up to £4,000 is available for students, which is received as either help towards accommodation costs or cash payments.
- > **Scholarships:** High-achieving students with A level grades ABB+ or equivalent will receive a £2,000 scholarship. This approach is successful and has seen a 28% rise in the number of ABB+ students joining Northumbria in September 2013. The scholarship will be awarded annually to students who continue to perform at a high standard throughout their years of academic study at the University.
- > **Transparency:** Northumbria is committed to transparency in all its operations. This is regarded as an important element of the student experience. The University has made a commitment that no student will be faced with additional costs for any element of their course that is considered mandatory. The University believes this supports students with their financial planning and ensures that all students, irrespective of background and income, will be able to benefit from a full and rewarding learning experience.
- > **Postgraduate Taught Scholarships:** The University recognises the growing financial pressures for students and the impact this may have on their decision to progress to full-time postgraduate study. A scholarship scheme rewards full-time postgraduate entrants with a first or 2:1 in their first degree with a fee discount of 15% or 10% respectively of their tuition fee. This is further enhanced for Northumbria graduates by an additional 10% alumni discount. The University also offered 20 outstanding postgraduate students a full studentship this year, to celebrate Northumbria's 20th anniversary.

The University will continue to monitor the impact of all of its fees, bursaries and scholarships to ensure they support the University's strategic development and provide a package of support for its students which is among the best in the sector.

People

Recruiting, retaining and developing high-calibre staff is critical to the University's success. During the 2012/13 financial year the core focus of activity was facilitating major organisational change by supporting the transition from Schools to Faculties. The embedding of activity within the Faculties and Services is key to the University working better as 'One University' and will continue to be a high priority moving into 2013/14. The recruitment and retention of high quality, PhD-qualified, research-active staff continued to be the main focus of recruitment demonstrating the investment in academic quality and the Research Excellence Framework 2014.

The University delivered a suite of Leadership programmes aligned to the Leadership Attributes, which embed into practice the seven dimensions of leadership at Northumbria. The programmes have contributed to cultural change with over 66 leaders participating in 2013. Further investment has been made to enable the programmes to support the organisational change and professional development of staff.

In 2013, the University launched a Graduate Training Scheme open to Northumbria graduates and alumni, with the first intake joining the University in September 2013.

Estate

The University has continued to invest in the physical campuses with an extension to the main City Campus Library facility and the opening of a brand new £1.5m, purpose built 98-space nursery. A further £3m has also been invested this year on improving teaching accommodation and creating new laboratories across the City and Coach Lane Campuses.

The construction of our new student residences at Trinity Square, Gateshead continues at pace and we are on track to open this 993-bed facility for students coming to Northumbria in September 2014.

Planning work is also underway in the preparation of a new Estates Strategy to support the delivery of the University's Corporate Strategy 2013-18.

Sustainability

Sustainability continues to be widely promoted across the University with a roll out of 'Sustainability Awareness' programmes for students and staff and the implementation of the Green Impact Awards Scheme that is supported by the National Union of Students. Northumbria recognises the growing importance of sustainability and has revised a number of policies and plans to reflect the University's commitment and to assist in achieving the objectives of the Corporate Strategy 2013-18. The University has continued to improve its position in the People and Planet Green League rising a further 16 places, gaining our top scores in the areas of waste reduction, water management and recycling. Travel planning has also been particularly successful with 89% of students and 75% of staff now commuting to our City Campus using a sustainable mode of travel.

Information Technology

During 2012/13 a new IT Strategy was developed setting out the direction for the next five years, in line with the University's Corporate Strategy and Vision 2025.

The Strategy calls for significant investment of around £18m in new technologies which will underpin the University's vision to be technology enabled. The IT strategy focuses on four key themes: delivering online support for learning, teaching and research; enhancing the student experience on campus; having efficient corporate and student administration; and improving student recruitment and revenue streams.

Implementation of the strategy has already commenced with systems which will enhance the student experience on campus, notably Electronic Submission Assessment and Feedback (eSAF), and a project to deliver a mobile platform which will support easy access to University systems from student devices.

There has also been significant focus on creating an IT department with the right capability and governance to deliver an ambitious strategy.

PUBLIC BENEFIT STATEMENT

The University is an 'exempt charity' under Schedule 2 of the Charities Act 1993 (now Part 3 and Schedule 3 of the Charities Act 2011) and therefore not subject to the direct oversight of, and registration with, the Charity Commission. Following changes arising from the Charities Act 2006, from 1 June 2010, the Higher Education Funding Council for England (HEFCE) assumed the role of 'principal regulator' of the University as an exempt charitable body. The University has reviewed its relationship with subsidiary, associated or linked charitable entities and does not have any which require reporting on a paragraph 'w' basis.

In producing this Statement, it is confirmed that the Board of Governors, as the trustees of the University, have had due regard to the Charity Commission's public benefit guidance. By way of induction, all new Governors are provided with guidance on the principles and duties of trusteeship. This information is also contained in the *Governors' Handbook* which explains the practice, and sheds light on the principles, of duty of care and diligence for trustees. The recently-published changes to the public benefit guidance for all charities, fall outside the reporting scope of this Statement, but will be shared with the Board early in the 2013/14 academic year.

Whilst it is recognised that there is no statutory definition of 'public benefit' under UK charity law, through this Statement the University is able to demonstrate how the University fulfils its charitable purposes. Reference has been made to recommended good practice identified by HEFCE on public benefit reporting for Higher Education Institutions (HEIs).

The University responds and advances a significant number of the 12 charitable purposes listed in the Charities Act 2011, illustrations of which are identified in this Statement, across the University's activities.

'The advancement of education'

As a major University, the charitable pillar of the 'advancement of education' represents the core public benefit provided by the University, central to its mission and enshrined in Vision 2025 and the Corporate Strategy 2013-18 through its teaching, learning and research agenda – as its knowledge transfer, dissemination and creation agenda. The key beneficiaries of the University's advancement of education is its 36,000 student community, comprising a diverse population from the local region and overseas.

The University's commitment to the advancement of education is also provided through an array of widening participation initiatives, which also supports the advancement of community and citizenship development through the involvement of student and staff volunteers. The University provides a comprehensive programme of activities, including to those from non-traditional and non-participating backgrounds in over 400 schools and colleges, regionally and nationally.

At regional and, increasingly, national level, the University's commitment to raising educational aspirations and recruiting high-calibre students regardless of background, through a fair and transparent admissions process, is at the heart of the advancement of education agenda. A menu of activities and support to local schools and students to be extensive and integrated student support services provided. For example, Northumbria's Student Support and Wellbeing Team deliver an integrated service comprising: Welfare and International Support; Counselling and Mental Health; and Disability Support; and the Careers and Employment Service. Also, the University's Ask4Help 'one-stop-shop' approach to accessing student-facing facilities is provided on a 24/7 basis, on or off campus. The University Library continues to hold customer service excellence accreditation, as is ranked as one of the country's top-performing university libraries in the HE sector, based on National Student Survey (NSS) feedback.

Supporting students into employability following graduation is a hallmark of the real-world and work-informed content of Northumbria's degree programmes, and is borne out in the University's impressive employability rates which regularly rank us in the top quartile of UK universities. In addition to this, the University's Careers and Employment Service hosted its largest ever careers fair in 2012/13, which brought together students and graduates interested in legal, business and finance career areas and gave them the opportunity to meet with employers offering placements and graduate opportunities in the private, public and third sectors.

‘The advancement of citizenship or community development’

The University supports an extensive volunteering programme in conjunction with Northumbria Students’ Union which is itself a registered charitable body. Specific projects across two of the University’s Faculties are identified below:

‘The Oswin Project’ – Arts, Design and Social Sciences

Design students from the University’s Faculty of Arts, Design and Social Sciences have developed a log and website for new North East charity ‘The Oswin Project’. Founded by Reverend Fiona Sample, the new charity supports ex-offenders in securing employment, providing them with support from the moment that they leave prison, through to training opportunities to gain qualifications and into employment. Students’ participation in the project was an example of community engagement, involving pitching identity and logo concepts to a judging panel. The winning logo, inspired by ornate Anglo Saxon wood carvings from the charity’s namesake, King Oswin of Deira, symbolises people coming together in a spirit of cooperation and the breaking of cycles. The project demonstrates the harnessing of creative design potential generated within the University, and its application to real-world charitable problems, to provide sustainable solutions.

The award-winning Student Law Office is an exemplar of good practice in encouraging and facilitating the provision of pro bono legal services across the North East of England for the benefit of the community, enabling law undergraduates to engage with the local community through the provision of free legal advice and other forms of support. Students work in “firms” of six with an expert supervisor covering a wide range of areas, including: Employment, Housing, Consumer, Family, Welfare Benefits, Human Rights, Crime and Miscarriages of Justice, Charities, Business Advice and Environmental Law. The work of the Student Law Office highlights the reciprocal relationship between citizenship development of the University’s students with community development and support initiatives. Given that the Student Law Office provides advice to clients who would otherwise be unable to access professional legal advice due to the financial costs associated with it, this activity indirectly supports the ‘relief of poverty’. Awards success in 2012/13 came in the shape of shortlisting for the Lawyer Awards as ‘best pro bono team’, and for the Attorney General’s Pro Bono Awards for Best Contribution by a Law School. Most significant though was the Student Law Office’s triumph in the prestigious Law Society Excellence Award for ‘Excellence in Community Investment’.

‘The Streetlaw Project’ – Business and Law

It is widely acknowledged that the legal profession has traditionally been perceived as not providing sufficient opportunities for students from underrepresented groups. Northumbria’s pilot ‘Streetlaw’ project will counter this perception by enabling 24 first year undergraduate law students, supervised by professional law practitioners, to go into targeted schools and discuss a range of high profile legal issues, for example knife crime. Participants in the project provide information on life at university and the range of careers available in the legal profession.

‘The advancement of amateur sport’

The University continues to provide significant sponsorship and subsidy for ‘Team Northumbria’ as the umbrella body under which all of the University’s sports teams participate and compete. The University has a long and distinguished history of providing athletes in all sports with the highest levels of coaching and other support services to ensure that they are on top of their game. Team Northumbria and the wider student, staff and local community benefit from Northumbria’s £30m Sport Central facility which opened in 2010.

The University works closely with, and provides facilities for, the Northumbria Sport Foundation, which is itself a registered charity as the ‘friends and fundraising’ arm of sport. The Foundation raises funds for specific initiatives that make a positive and sustainable impact on the sporting potential of students and the wider community. Engaging students, staff, graduates and supporters in fundraising, five funding streams are identified from athletic scholarships through the Community Fund which provides funding to community groups and organisations to enable them to organise or take part in sporting activities and events at Northumbria. The Northumbria Sport Foundation Zambia Project is an example of the educative role of sport. The Project involves Northumbria students travelling to Zambia during the summer to engage with children and young people through the delivery of physical activity and sport to educate about HIV/AIDS.

Corporate Governance Statement And Statement On Internal Control

The following Corporate Governance Statement and Statement on Internal Control is provided in the Financial Statements 2012/13 to summarise the legal and governance structure of the University, and the internal control, risk management and wider assurance framework in place. The University is an independent Higher Education Corporation (HEC), established under the terms of the Education Reform Act 1988, and amended by the Further and Higher Education Act 1992, from which Northumbria was granted 'university' status later that year. The University's objectives, powers and framework of governance are set out in the Instrument and Articles of Government of the University. The Privy Council, in consultation with the Charity Commission, approved an amendment to the University's Instrument of Government in 2012 to enable an allowance to be provided to Independent Governors, which is currently utilised only in respect of the Chair of the Board of Governors.

The Instrument and Articles of Government require the University to:

- > Establish a Board of Governors, as the governing body of the University.
- > Appoint a Vice-Chancellor, who is the academic head and Chief Executive of the University and 'Accountable Officer' to HEFCE.
- > Establish an Academic Board, chaired by the Vice-Chancellor and Chief Executive.

The Board of Governors is responsible for the determination of the 'educational character' and mission of the University, and is responsible for ensuring an effective system of internal control operates across the University's non-academic provision, and the University's resources and assets in its widest sense. Its specific duties are detailed in a revised *Statement of Primary Responsibilities* for the Board, adopted in September 2011, and the Board also operates on a series of 'principles' agreed in November 2012.

The primary role of the Board of Governors is:

- > To contribute to the development, approval and review of the University's Vision 2025 and Corporate Strategy 2013-18 and performance against it, its long-term academic and business plans, and to ensure that these meet the interests of stakeholders.
- > To act as 'trustees' of the University as an exempt charity subject to HEFCE oversight as 'principal regulator', and ensure that the University complies with charitable law, and in particular recognises the public benefit purpose of the University, and any wishes in respect of any property, legacy, endowment, bequest or gift in support of its work.

- > To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all of the University's legal and charitable obligations, including those arising from the regulatory framework, contracts and other legal commitments made in the University's name.
- > To appoint the Vice-Chancellor and Chief Executive, and to determine and put in place suitable arrangements for his/her pay and conditions of service and the monitoring of his/her performance against agreed objectives set by the Chair of the Board.
- > To delegate authority to the Vice-Chancellor and Chief Executive for the academic, corporate, financial, estate and human resource management of the University. The boundaries and layers of such authority is subject to the Scheme of Delegation and the Financial Regulations.
- > To make such provision as it thinks fit for the general welfare of students, as primarily overseen by the Academic Board and its Committees.
- > To set the tone, and approve the overall framework for, risk management and assurance, and ensure that systems are in place for the establishment and monitoring of systems of control and accountability, including finance, risk, data quality, value for money and internal control.
- > To conduct its business in accordance with best practice in HE corporate governance and the principles included in the Committee on Standards in Public Life, and the Committee of University Chairs guidance. Alongside this, this includes ensuring compliance with ethical and professional standards and codes of conduct.
- > To establish and adhere to processes to monitor and evaluate the performance and effectiveness of the governing body itself.

The HEFCE *Financial Memorandum* and Committee of University Chairs ('CUC') Guide (revised 2009), requires that the University includes in its sub-Board structure an Audit Committee, Nominations Committee and Remuneration Committee. This reflects the equivalent committee requirements for listed companies set out in the UK *Corporate Governance Code* (revised June 2012). Under the University's governing instruments, it is also required to convene an Employment and Finance Committee. The University has also established a Strategic Performance Committee, as an advisory body in the development and monitoring of performance against the University's Corporate Strategy 2013-18 and supporting strategic plans. The role of the key committees and their work during 2012/13 are summarised opposite:

Audit Committee plays a core role in the corporate governance of the University, acting on the Board's behalf, and advising the Board in respect of the adequacy of arrangements in place for internal audit through its focus on risk management, monitoring the work of the internal auditors, value for money, and data quality and assurance. The Committee also tests adherence to University policies and procedures and wider legal and regulatory compliance and including the reporting of significant incidents and fraud and public interest disclosure. An Annual Report of the Committee is produced for the Vice-Chancellor and Chief Executive, Board and HEFCE, which summarises its work across the year, and concludes with its opinion on the adequacy of the arrangements in place within its oversight. In 2012/13, the Committee has played a key role in oversight of the University's new internal audit provider and, working with the University Executive, an internal audit programme has been devised which covers key aspects of the control environment, as well as providing reassurance and recommendations on systems and processes which support strategic development during this key period in the transformation of the University. Other key activities include the Committee's oversight of external audit culminating in the audit and adoption of these Financial Statements, approval of key corporate policy development in the period, and supporting the University Executive as its approach to risk management and business assurance evolves.

Employment and Finance Committee is remitted to monitor, and contribute to University Executive development of, finance, estates and capital activities and staffing strategy, policy, and initiatives. In 2012/13, the Committee has played an active role in considering improved financial and Management Information (MI) provided to the Committee across its areas of focus. The Committee has also strengthened its oversight of human resources strategy and policy in a year of organisational transformation, and will continue to play a key role in business case testing for the investment and resources required for major projects supporting the business outcomes stemming from the Corporate Strategy 2013-18.

Strategic Performance Committee, formerly known as the 'Performance and Risk Committee', is in its second year of operation in 2012/13. During the year, the Committee has played a key role in advising the University Executive on the development of the Corporate Strategy 2013-18, and the performance management framework underpinning this. In addition to this, the Committee has worked with the University Executive to review the strategic plans which have been developed underneath the Corporate Strategy 2013-18, and has monitored the University's performance in key external measures, including the National Student Survey (NSS), League Tables and major data returns, including the Destination of Leavers of Higher Education (DLHE).

Academic Board also reports to the Board of Governors, and is chaired by the Vice-Chancellor and Chief Executive, and advises him/her on matters of academic strategy and policy. Specifically, it is particularly concerned with academic quality and standards and enhancement, the student experience and research and innovation activities, the work of which is supported by a suite of sub-committees.

The Vice-Chancellor and Chief Executive and the University Executive

The Vice-Chancellor and Chief Executive is responsible for the academic and executive leadership of the University, and has delegated authority from, whilst being accountable to, the wider Board of Governors for the organisation, direction and management of the University. Under the terms of the Financial Memorandum between the University and HEFCE, the Vice-Chancellor and Chief Executive is the 'Accountable Officer'.

Supporting and advising the Vice-Chancellor and Chief Executive is the University Executive, which met weekly in 2012/13, and has overall responsibility for delivery of the Corporate Strategy. The University Executive, which expanded its membership in 2012/13 to include the new Executive Deans of the four Faculties, supports and advises the Vice-Chancellor and Chief Executive in his/her strategic, policy and executive management responsibilities. The University Executive provides a focal point for the coordination and integration of the full breadth of the University's activities. Its role is discharged through University Executive members' individual portfolios of responsibility and collectively through the recommendations made or supported by the University Executive. The advisory role of the University Executive to the Vice-Chancellor and Chief Executive contributes to:

- > The development, revision and realisation of the University's Vision 2025 and Corporate Strategy, and subsidiary strategies and plans.
- > The strategic management of the University's financial, human and physical resources, including financial and regulatory matters relevant to the Vice-Chancellor's role as 'Accountable Officer' derived from the Instrument and Articles of Government and from the HEFCE *Financial Memorandum*.
- > The operation and development of the University's annual planning, accountability and development processes, including setting and monitoring targets and benchmarks for the University, Faculties and Services based on scrutiny of robust Management Information and evidence to support delivery of the Corporate Strategy.

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

The Board of Governors is responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the University. The Financial Statements are prepared in accordance with the requirements of the Articles of Government, HEFCE's Accounts Direction, the Statement of Recommended Practice – *Accounting in Further and Higher Education* (2007) and other relevant accounting and financial reporting standards. In addition, within the terms and conditions of the *Financial Memorandum* agreed with HEFCE, it is a requirement to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the University and the surplus or deficit and cash flows for that year.

For the Financial Statements to be prepared for 2012/13, the Board has ensured, through the monitoring role of Employment and Finance Committee, and the assurance provided by Audit Committee and the external auditors, that:

- > Suitable accounting policies are selected and applied consistently.
- > Judgements and estimates are made that are reasonable and prudent.
- > Applicable accounting standards have been followed subject to any material departures which would be disclosed and explained in the financial statements.
- > Financial statements are prepared on the 'going concern' basis, reflecting the HEFCE Accounts Directions for 2012/13, informed by the outcomes of the recent inquiry by the Financial Reporting Council into going concern assessments.

The Board has taken reasonable steps to:

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

During 2012/13, the Board has appointed three new Independent Governors, following the end of terms of office of existing members, and has also welcomed newly elected staff and student representatives onto it.

The collective and individual development of the Board is a paramount consideration. All new Governors receive a tailored induction programme and all Governors are eligible to take part in relevant training and development at the University's expense. Governors have attended events, including those run by the Leadership Foundation for Higher Education (LFHE) through its Governor Development Programme, and HEFCE and CUC events, at regional and national level. External development events are complemented with internal development activities to provide governors with contextualised information and insights into the operation of the University. Events in 2012/13 included two Governor/Executive Development Sessions framing each end of the academic year, and a visit to the University's London Campus.

The Board has robust mechanisms in place for the collective evaluation of its performance, including an annual review of the effectiveness of the Board and its key committees, and a self-assessment and personal annual review with the each member of the Board and the Chair. The Chair is also subject to the collective evaluation of the Board, coordinated by the Senior Independent Governor.

In 2012/13, the Chair of the Board received an annual allowance in support of his role. All Governors are entitled to reimbursement of out-of-pocket expenses incurred in discharging their responsibilities. The total expenses payable is summarised in Note 7 to the Financial Statements 2012/13 in accordance with HEFCE's Accounts Direction.

Statement on Internal Control

The Statement on Internal Control (SIC) has been formulated with reference to HEFCE's Accounts Directions for the 2012/13 Financial Statements and wider regulatory guidance, including the provisions contained in the 'Turnbull Report': *Internal Control: Guidance for Directors on the Combined Code* (1999 and 2005) and the National Audit Office's (NAO) *A good practice guide to the Statement on Internal Control* (2010).

1. As the governing body of the University, the Board of Governors ensures that the University maintains a sound system of internal control that supports the achievement of policies, strategic objectives and, ultimately, the Corporate Strategy. The Audit Committee, the role of which is summarised above, is the principal vehicle through which the Board received assurance on the University's system of internal control. The assurance sought is central to safeguarding the public and other funds and assets for

which the Board is responsible, in accordance with the University's Instrument and Articles of Government and external requirements of HEFCE and other bodies.

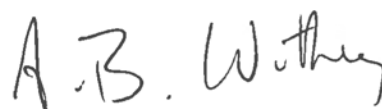
2. The system of internal control is designed to manage and mitigate risks to the University, although it is acknowledged that the risk of failure to achieve policies, aims and objectives can never be eliminated.
3. The identification of Corporate Risks is integral to the University's system of internal control. The Board is responsible for setting the tone and leadership for risk management across the University and to receive assurance that adequate arrangements have been put in place by the University Executive for the management of risk. The Vice-Chancellor and Chief Executive is responsible for the management of risk within the University which is managed ultimately through the University's Corporate Risk Register and within the framework of the Risk Management Plan, which comprises an organisational cascade for risk assessment and risk registers for the Faculties and the Professional Services of the University. The University Executive provides ownership and leadership for risk management and reports to the Board to help the Board discharge its ultimate responsibility for monitoring risk. Risk management is embedded in the work of the University Executive, with each of the corporate risks normally owned by one and, in limited circumstances, two members of the University Executive, which has collective oversight of risk, its status and the mitigating controls in place. Risk management principles are embedded into Board of Governors, Committee and University Executive business. All key business items presented to these bodies require the written identification and assessment of Corporate Risks, to ensure risk management principles are designed into the development phases of University proposals and initiatives.
4. The Vice-Chancellor and Chief Executive delegates coordination and oversight of the Corporate Risk Register and Risk Management Plan to the Secretary to the Board of Governors, who is in turn supported by a specialist Risk Manager who takes a University advisory, facilitation and challenge role in relation to risk management. Audit Committee remains responsible for seeking assurance on the adequacy and effectiveness of the University's risk management arrangements and has received assurance from PwC, the University's internal auditors, that the University's Risk Management arrangements are adequate. The Board and Vice-Chancellor and Chief Executive receive an Annual Report from the Audit Committee which includes the Committee's opinion on the adequacy of risk management and internal control systems.
5. In 2012/13, risk assessment activities have been further embedded into the University's corporate governance arrangements through:
 - i. Review of the full Corporate Risk Register at two meetings of the Board of Governors, which included a presentation on the alignment of the Corporate Risks to development of the Corporate Strategy 2013-18. Board engagement with Corporate Risk has been evident by substantive revision of the Corporate Risk Register in the period, including escalation of risk delegated to Faculty and Service Registers and re-formulation of existing risks. The formulation of new Corporate Risks is underway as these crystallise.
 - ii. A presentation to Audit Committee on the governance of Corporate Risk and proposed arrangements for review of the Risk Management Plan.
 - iii. Consideration of the headline Corporate Risk Register at the end of each meeting of all Board committees, to assess if strategic items discussed have had implications for risk status, scoring and controls.
 - iv. Working with the newly-formed Faculties to create new Faculty-wide risk registers, informed by the aggregation of Schools into the new academic structure, and equivalent work where Professional Services Department mergers have occurred.
 - v. Integration of risk considerations into the Annual Planning Round for Faculties and Services.
 - vi. Embedding risk assessment in the University's new project management gateway process, which in itself represents a key internal control for strategic project initiation, assessment and monitoring.
6. The wider system of internal control operates as follows:
 - i. The Board of Governors receives regular updates on the wider internal control framework during 2012/13 through the Corporate Risk Register, and also wider business, including operational and compliance controls through the minutes of Audit Committee and other reports; legal compliance reports where relevant, including Health and Safety and Equality and Diversity.
 - ii. Significant strengthening of internal controls continued during the course of the year, particularly in relation to policy development and dissemination.
 - iii. The Scheme of Delegated Decision-Making has been fully revised in 2012/13 to reflect the new Financial Regulations and Organisational Structure; a Reportable Incidents Framework was formulated and rolled out during the course of the year, along with approval of a new Policy for Disclosure and Conflicts of Interests due to be launched in October 2013.

7. The formulation of this SIC reflects good practice and has been informed by on-going updates and engagement with a risk-based Business Assurance Map. Development work to create an interactive, comprehensive Business Assurance Map has been presented to Audit Committee in 2012/13, to capture a much broader spectrum of activities and associated controls and assurance sources than the previous version. Business Assurance Mapping is a nascent activity in the UK HE sector, and the University's work here is considered to be at the forefront of best practice.
8. The University's approach to data quality and assurance has received national attention and highlighted as an exemplar of best practice in 2012/13 by the Interim Regulatory Partnership Group's Higher Education Information Landscape Strand, due to the processes in place to embed a culture of data quality which extends beyond compliance across the University.
9. On behalf of the Board of Governors, the University Executive and the Audit Committee have conducted the annual review of the University's systems of internal control. Assurance sources for this review include internal and external audit reports, feedback from inspections, internal monitoring systems and reports on any incidents or events that have highlighted internal control weaknesses. This is supported by the 2012/13 Internal Audit Opinion that the overall internal control environment is effective. While a number of improvements to internal control systems have been identified from specific areas of audit, no significant internal control weaknesses have been detected.



Chris Sayers

Chair of the Board of Governors
25 November 2013



Professor Andrew Wathey

Vice-Chancellor and Chief Executive
25 November 2013

Register of Governors and Professional Advisors

Chancellor

The Lord Stevens of Kirkwhelpington

Board of Governors

The Governors are the 'Trustees' of the University as an exempt charity under the terms of the Charities Act 2006.

Ms Alison Allden	(Independent Governor)
Mr Craig Apsey	(Independent Governor: Appointed November 2012) ¹
Mrs Lesley Bessant	(Pro-Chancellor: Appointed Deputy Chair from 09 July 2013 and Chair Strategic Performance Committee)
Mr Ian Brown	(Independent Governor)
Mrs Lorraine Brown	(Elected Support Staff Representative)
Mr David Clipsham	(Senior Independent Governor and Chair, Remuneration Committee)
Mr Alasdair Corfield	(Independent Governor and Chair, Audit Committee)
Professor Peter Francis	(Academic Board Nominee: Elected December 2012)
Dr Graham Hillier	(Independent Governor and Chair, Employment and Finance Committee)
Mr Derek Johnson	(Academic Staff Representative: Elected December 2012)
Mr Peter Judge MBE	(Independent Governor: leave of absence granted October 2012)
Dr Alison Machin	(Academic Board Nominee: Appointed January 2013)
Professor Kath McCourt CBE	(Academic Board Nominee, to August 2012)
Mr David Price	(Independent Governor: Appointed November 2012)
Ms Jo Rhodes	(Student Representative, President, Students' Union 2012-13)
Mr Chris Sayers	(Chair of the Board of Governors from 01 August 2012 and Pro-Chancellor)
Ms Hannah Horne	(Student Representative, Students' Union Executive)
Mr Adam Serfontein	(Independent Governor and Pro-Chancellor)
Mrs Linda Spencer	(Academic Board Nominee, vacated October 2012)
Mr John Taylor	(Elected Academic Staff Representative, to November 2012)
Miss Claire Templeton	(Independent Governor)
Professor Andrew Wathey	(Vice-Chancellor and Chief Executive)
Mr Andrew Wilson	(Independent Governor: Appointed November 2012)

Secretary to the Board of Governors

Mr Adam Dawkins (Appointed by the Board: 08 October 2012)

Audit Committee Members

Mr Alasdair Corfield	(Independent Governor and Chair, Audit Committee)
Mrs Lesley Bessant	(Pro-Chancellor: Appointed Deputy Chair from 09 July 2013 and Chair Strategic Performance Committee)
Mr Ian Brown	(Independent Governor)
Mr David Price	(Independent Governor: Appointed November 2012)
Mr David Jennings	(Co-opted Member)

External Auditor

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

Internal Auditor

PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

Bankers

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

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

Register of Interests and Disclosures

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

Secretary to the Board of Governors

Vice-Chancellor's Office
Ellison Building, Ellison Place
Newcastle upon Tyne NE1 8ST
Telephone +44 (0)191 227 4520

¹ The month and/or date of appointment or election dates are provided for governors only where this has taken place in 2012-13.

Five Year Summary of Key Statistics

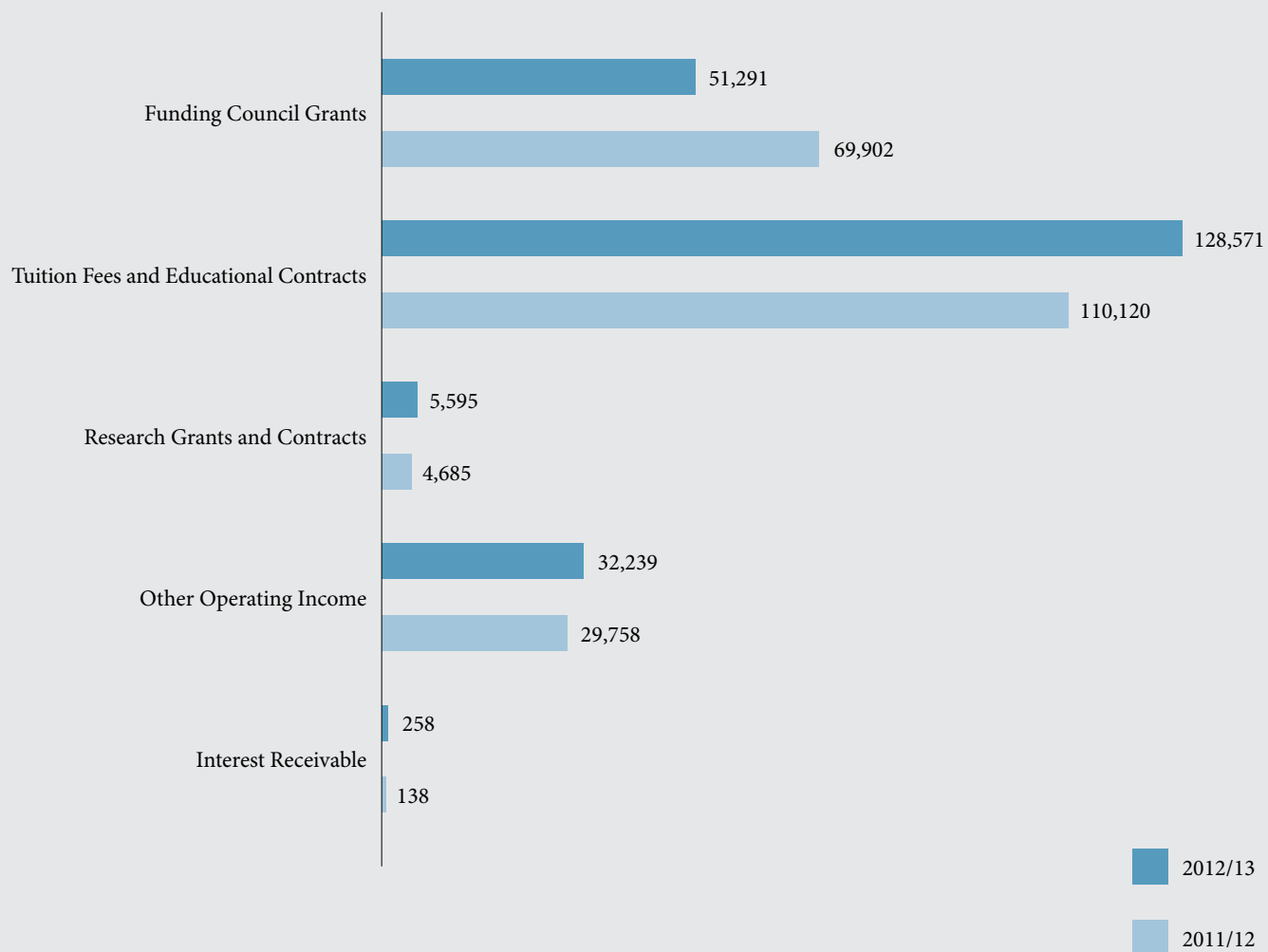
	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000
Funding Council Grants	51,291	69,902	70,220	78,819	70,406
Tuition Fees and Educational Contracts	128,571	110,120	109,049	104,164	94,910
Research Grants and Contracts	5,595	4,685	4,400	4,262	5,012
Other Operating Income	32,239	29,758	29,123	30,110	29,125
Interest Receivable	258	138	128	82	215
TOTAL INCOME	217,954	214,603	212,920	217,437	199,668
TOTAL EXPENDITURE	213,986	208,195	200,077	205,779	186,171
SURPLUS BEFORE DISPOSAL OF FIXED ASSETS	3,968	6,408	12,843	11,658	13,497
GAINS ON DISPOSAL OF FIXED ASSETS	-	-	40	-	-
SURPLUS ON OPERATIONS	3,968	6,408	12,883	11,658	13,497
HISTORIC COST ADJUSTMENT	1,865	1,865	1,865	2,396	2,396
HISTORICAL COST SURPLUS FOR YEAR	5,833	8,273	14,748	14,054	15,893
NET CASH INFLOW FROM OPERATING ACTIVITIES	27,165	20,141	22,760	36,701	28,442
NET CASH INFLOW/(OUTFLOW)	10,520	7,227	2,933	3,579	(2,371)
Fixed Assets	332,635	310,010	312,524	295,530	277,020
Net Current Liabilities	(3,010)	(13,719)	(23,694)	(27,707)	(21,936)
Creditors due after more than 1 year	(66,255)	(67,021)	(67,787)	(58,057)	(46,697)
Provisions	(4,363)	(5,181)	(3,619)	(3,692)	(2,133)
NET ASSETS BEFORE PENSION LIABILITY	259,007	224,089	217,424	206,074	206,254
PENSION LIABILITY	(98,717)	(98,596)	(74,275)	(67,349)	(81,461)
NET ASSETS AFTER PENSION LIABILITY	160,290	125,493	143,149	138,725	124,793

Financial Highlights

The University's financial performance for 2012/13 can be summarised as follows:

- > Total income of £217.9m
- > Historical cost surplus of £5.8m
- > £27.2m cash generated from operating activities
- > £9.5m investment in capital expenditure
- > Net assets of £160.3m
- > Barclays Bank Revolving Credit Facility of £96.0m available until July 2014 of which £66.5m is drawn down leaving £29.5m unutilised. Any outstanding balance as at 1st August 2014 will then become a term loan.

Consolidated Income £'000s



Consolidated Income – %

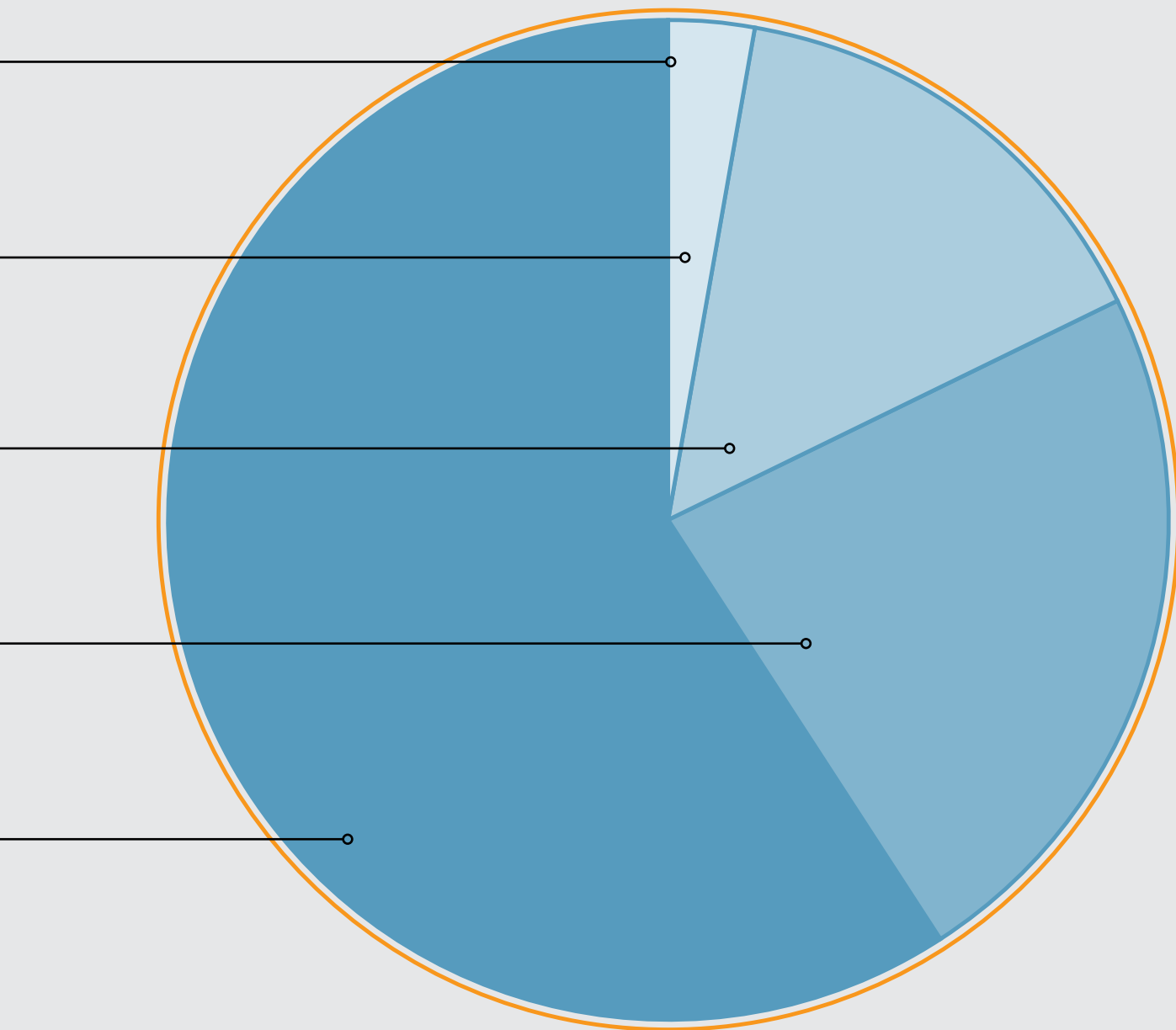
0% Interest Receivable

3% Research Grants and Contracts

15% Other Operating Income

23% Funding Council Grants

59% Tuition Fees and Educational Contracts



Consolidated Expenditure – %

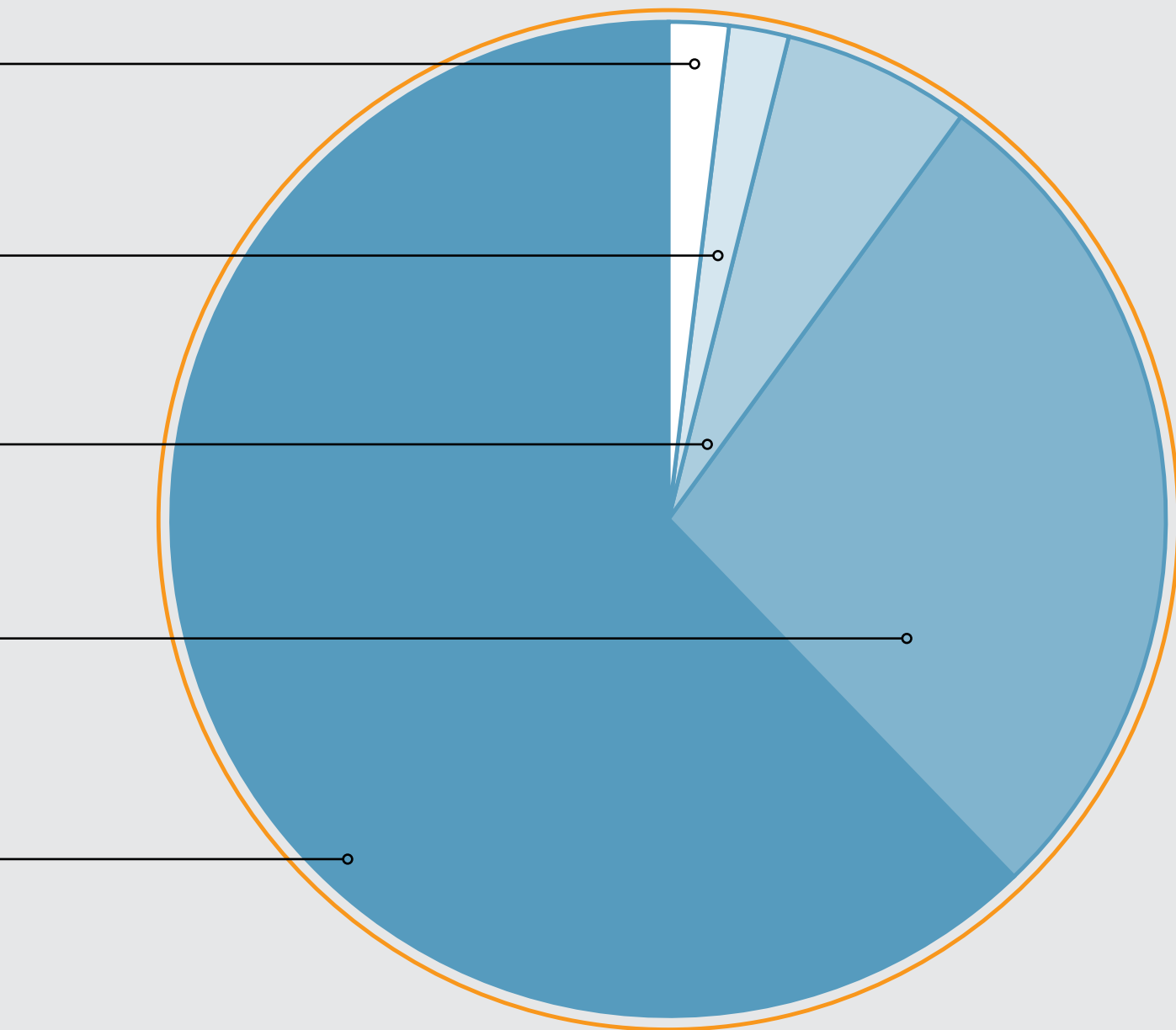
2% Interest and Finance Costs

2% Impairment of Tangible Fixed Assets

6% Depreciation

28% Other Operating Expenses

62% Staff Costs



The audited accounts have been prepared in accordance with the 2007, Statement of Recommended Practice: Accounting for Further and Higher Education and also comply with HEFCE Accounts Direction (19/2010).

The consolidated results of the University are summarised below:

Results for year	£m 2012/13	£m 2011/12
Income	217.9	214.6
Expenditure	(214.0)	(208.2)
Surplus on Continuing Operations	3.9	6.4
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	1.9	1.9
Historical Cost Surplus for the Year	5.8	8.3
Surplus Percentage	2.7%	3.9%

Income

Total income in the year was £217.9m representing an increase of 1.6% over the previous year. The main movements year on year are:

- > Funding Council Grants decreased in total by £18.6m to £51.3m; this included the on-going efficiency savings in recurrent grant funding announced by HEFCE of £17.6m, and a reduction of £1.8m in the funding from the National College for Teaching and Learning.
- > Tuition fee income and education contracts rose by £18.5m to £128.6m; Full-Time Home and EU students increased by £19.9m to £72.6m, reflecting the new fee regime introduced in 2012/13. Income from overseas fees was broadly level at £26.6m but short course income declined by £1.1m and the Nursing Education Contract declined by £0.9m.
- > Research grants and contracts increased by £0.9m to £5.6m in the year.
- > Other income increased by £2.5m to £32.2m.

Expenditure

Total expenditure increased from £208.2m to £214.0m.

- > Staff costs, representing 62% of total expenditure, increased by £2.0m to £133.0m. Pension costs accounted for £1.7m of this increase largely reflecting pension fund strain payments arising from the Vision 2025 restructuring exercise.
- > Other operating expenses reduced by £0.9m to £58.9m.

Exceptional Items

- > The revaluation of the University's properties as at 31 July 2013 resulted in an impairment charge of £3.8m. This was partly offset by the release to income of deferred capital grants of £1.0m resulting in a net exceptional charge to Income & Expenditure of £2.8m.

Surplus

The net outcome was a historical cost surplus for the year of £5.8m, representing 2.7% of income.

Balance Sheet

The net assets of the University group increased during the year by £34.8m, to stand at £160.3m. The main areas of change were:

- > Tangible Fixed Assets – up by £22.6m to £332.6m, including net revaluation gains of £26.8m and capital additions of £9.5m.
- > Current Assets – increased by £16.5m to £47.0m, including an increase of £10.5m in cash and bank and £5.0m in short term cash investments.
- > Creditors – amounts falling due in less than one year – increased by £5.8m to £50.0m, mainly as a result of £4.1m in fee waivers repayable to the Student Loans Company in October 2013.

Capital Programme

During the year, £9.5m was invested in the University's facilities and infrastructure. This included £3.6m on refurbishing the estate, £2.5m on Faculty equipment and £2.4m on IT.

Cash Flow

During the year, £27.2m was generated from operating activities. As a result, the University was able to fund the £9.5m of capital expenditure from operating cash.

Going Concern

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

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

- > Regular performance monitoring through monthly reporting, annual budgets and forecasting.
- > Measurement against the Corporate Strategy and related Key Performance Indicators.
- > Maintaining a risk register which considers both financial and non-financial strategic risks.
- > Complying with the financial covenants of our lenders and HEFCE now and in the foreseeable future.

The University sees Treasury Management as fundamental given that it impacts on all aspects of its operations. With this in mind, considerable effort is put into managing cash and bank from the daily operational basis to the long term strategic basis:

- > Bank borrowing facilities of £96.0 million have been arranged with University Bankers until July 2014. £66.5 million has currently been drawn down with £29.5m unutilised though it is significant to note the University has not drawn any additional funds during the last two financial years. Any outstanding balance as at 1st August 2014 will then become a term loan.
- > The new fees regime has fundamentally shifted the timing of cash receipts into the business. The budget and forecasting processes have indicated the months when there is the potential for lower cash balances. To mitigate the possible effect of this, the University has the capacity to reprofile its spending if necessary, which will enable it to maintain an adequate cash balance and still achieve the Corporate Objectives.

Sustainability

Transformation programmes are in progress to create standardised Faculty structures across the University. Additional programmes in the service areas to centralise the procurement and IT functions, coupled with the development and upgrade of SAP which will give greater automation, and the development of more robust processes and controls will drive greater efficiency and value for money through the elimination of duplication and the establishment of a best practice approach.

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

We have audited the group and University financial statements (the "financial statements") of Northumbria University for the year ended 31 July 2013 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Statement of Consolidated Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of Primary Responsibilities of the Board of Governors set out on pages 26 to 28, the Board of Governors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- > give a true and fair view of the state of the affairs of the Group and University as at 31 July 2013 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

- > funds from whatever source administered by the University for specific purposes have been properly applied to those purposes; and
- > funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- > the statement of internal control included as part of the Statement of Corporate Governance and Internal Control is inconsistent with our knowledge of the University and group.



Paul Moran (Senior Statutory Auditor)

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

25 November 2013

Statement of Principal Accounting Policies

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

a. Basis of Preparation

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

b. Going Concern

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

The University currently has £66.8m of loans outstanding with lenders and £29.5m of undrawn loan facility, virtually all being secured by a fixed and floating charge on University assets. The terms of the existing agreements do not expire until 2014 and any remaining balance becomes a term loan. The University generates significant levels of cash from its operating activities, with £27.2m being generated in 2012/13. The University's forecasts and financial projections indicate that it will be able to operate within these existing facilities and attached covenants for the foreseeable future, taking into account reasonably expected changes in performance.

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

c. Basis of Accounting

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

d. Basis of Consolidation

The consolidated financial statements combine the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July 2013. Details of University's subsidiary undertakings are provided in Note 13 to the financial statements. In accordance with FRS 2 'Subsidiary Undertakings', the financial statements do not include those of the Northumbria Students' Union, as it is a separate organisation in which the University has no financial interest and exerts

no control or significant influence over policy decisions.

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

e. Recognition of Income

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

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

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

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

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

f. Post-Retirement Benefits

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

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

The University is able to identify its shares of assets and liabilities of the LGPS and thus fully adopts FRS 17 "Retirement benefits" in accounting for this scheme. Accordingly, the operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned. The related finance costs, expected return on assets and any other changes in the fair value of the assets and liabilities are recognised in the accounting periods in which

they arise. The operating costs, finance costs and expected return on assets are recognised in the Income and Expenditure Account with any other changes in the fair value of assets and liabilities being recognised in the Statement of Total Recognised Gains and Losses.

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

g. Maintenance of Premises

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

h. Tangible Fixed Assets

i) Capitalisation

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

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

ii) Revaluation

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

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

iii) Depreciation

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

- > Freehold Buildings - not more than 50 years;
- > Long Leaseholds - not more than 50 years;
- > Short Leaseholds and Leasehold improvements - life of the lease;
- > Land - not depreciated;

- > Equipment - 5 years;
- > Motor Vehicles - 4 years;
- > Computer Equipment and Software - 3 years; and
- > Assets Costing Less Than £5,000 - written off in year of purchase.

iv) Capital Grants

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

v) Investment Properties

In accordance with Statement of Standard Accounting Practice No 19:

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

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

i. Impairment of Tangible Fixed Assets

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

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

i) Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

ii) Reversals of impairment

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

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

j. Leases and Hire Purchase Contracts

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

k. Stocks

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

l. Provisions

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

m. Liquid Resources and Cash

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

n. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at the rates at the date of the Balance Sheet or, where there are related forward exchange contracts, at contract rates. The resulting exchange differences are dealt with in the Income and Expenditure Account for the financial year.

o. Investments

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

p. Heritage Assets

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

q. Taxation

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

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

r. Endowment Funds

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

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

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

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

Consolidated Income and Expenditure Account for the year ended 31 July 2013

	Note	2013 £'000 Pre Exceptionals	2013 £'000 Exceptionals	2013 £'000 Total	2012 £'000
INCOME					
Funding Council Grants	1	50,291	1,000	51,291	69,902
Tuition Fees and Education Contracts	2	128,571	-	128,571	110,120
Research Grants and Contracts	3	5,595	-	5,595	4,685
Other Operating Income	4	32,239	-	32,239	29,758
Interest Receivable	5	258	-	258	138
Total Income		216,954	1,000	217,954	214,603
EXPENDITURE					
Staff Costs	6	133,044	-	133,044	131,093
Other Operating Expenses	8	58,862	-	58,862	59,807
Interest and Finance Costs	9	4,551	-	4,551	3,616
Depreciation	13	13,716	-	13,716	13,679
Impairment of Tangible Fixed Assets	13	-	3,813	3,813	-
Total Expenditure		210,173	3,813	213,986	208,195
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Impairments of Fixed Assets but before Tax		6,781	(2,813)	3,968	6,408
Taxation	11	-	-	-	-
Surplus on Continuing Operations after Depreciation of Assets at Valuation an Impairment of Fixed Assets and Tax	12	6,781	(2,813)	3,968	6,408

All items of income and expenditure arise from continuing operations.

Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2013

	2013 £'000 Pre Exceptionals	2013 £'000 Exceptionals	2013 £'000 Total	2012 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Impairments of Fixed Assets and Tax	6,781	(2,813)	3,968	6,408
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Re-valued Amount	1,865	-	1,865	1,865
Historical Cost Surplus for the Year	8,646	(2,813)	5,833	8,273

Statement of Consolidated Total Recognised Gains and Losses for the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposals and Impairments of Fixed Assets and Tax		3,968	6,408
Actuarial Gain/(Loss) in Respect of Defined Benefit Pension Scheme	26	1,730	(22,830)
Actuarial Loss in Respect of Enhanced Pension Provision	19	(50)	(134)
Unrealised Gains on Property Revaluation	13	33,111	-
Unrealised Losses on Property Revaluation	13	(2,452)	-
Total Recognised Gains/(Losses) for the Year		36,307	(16,556)

Consolidated reconciliation of movements in reserves for the year ended 31 July 2013

Opening Reserves		99,641	116,197
Total Recognised Gains/(Losses) for the Year		36,307	(16,556)
Closing Reserves	21	135,948	99,641

Balance Sheets at 31 July 2013

	Note	CONSOLIDATED		UNIVERSITY	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
FIXED ASSETS					
Tangible Fixed Assets	13	332,635	310,010	332,635	310,010
CURRENT ASSETS					
Stocks		108	136	108	136
Debtors	15	7,612	6,578	7,755	6,581
Short Term Investments	16	5,000	-	5,000	-
Cash at Bank and in Hand		34,268	23,748	34,245	23,743
		46,988	30,462	47,108	30,460
Creditors – Amounts Falling Due Within One Year	17	(49,998)	(44,181)	(49,959)	(44,181)
NET CURRENT LIABILITIES		(3,010)	(13,719)	(2,851)	(13,721)
TOTAL ASSETS LESS CURRENT LIABILITIES		329,625	296,291	329,784	296,289
Creditors – Amounts Falling Due After More Than One Year	18	(66,255)	(67,021)	(66,255)	(67,021)
Provisions for Liabilities and Charges	19	(4,363)	(5,181)	(4,363)	(5,181)
NET ASSETS EXCLUDING PENSION LIABILITY		259,007	224,089	259,166	224,087
Pension Liability	26	(98,717)	(98,596)	(98,717)	(98,596)
NET ASSETS INCLUDING PENSION LIABILITY		160,290	125,493	160,449	125,491

Balance Sheets at 31 July 2013 (continued)

	Note	CONSOLIDATED		UNIVERSITY	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
REPRESENTED BY:					
Deferred Capital Grants	20	24,342	25,852	24,342	25,852
RESERVES					
Revaluation Reserve	21	107,300	78,506	107,300	78,506
Revenue Reserve Excluding Pension Reserve	21	127,365	119,731	127,524	119,729
Pension Reserve	21	(98,717)	(98,596)	(98,717)	(98,596)
Revenue Reserve Including Pension Reserve		28,648	21,135	28,807	21,133
TOTAL RESERVES	21	135,948	99,641	136,107	99,639
TOTAL		160,290	125,493	160,449	125,491

The Financial Statements on pages 40 to 72 were approved by Governors on 25 November 2013 and signed on their behalf by:



Chris Sayers

Chair of the Board of Governors



Professor Andrew Wathey

Vice-Chancellor and Chief Executive

Consolidated Cash Flow Statement for the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	27,165	20,141
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from Short Term Investments		258	138
Interest Paid (excluding on Pension Scheme Liabilities)		(3,068)	(1,822)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(2,810)	(1,684)
TAXATION		-	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to Acquire Tangible Fixed Assets		(9,495)	(11,165)
Proceeds from Sale of Tangible Fixed Assets		-	-
Deferred Capital Grants Received		1,290	565
Net Cash Outflow from Capital Expenditure and Financial Investment		(8,205)	(10,600)
FINANCING			
New Secured Long Term Loans		-	-
New Unsecured Loans		-	-
Repayment of Secured Long Term Loans		(478)	(478)
Repayment of Unsecured Loans		(152)	(152)
Net Cash Outflow from Financing		(630)	(630)
MANAGEMENT OF LIQUID RESOURCES			
Cash placed on deposit		(5,000)	-
Net Cash Outflow from Management of Liquid Resources		(5,000)	-
INCREASE IN CASH IN THE YEAR		10,520	7,227
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT			
Increase in Cash in the Year		10,520	7,227
Increase in Short Term Deposits		5,000	-
Decrease in Debt in the Year		630	630
Decrease in Net Debt in the Year	24	16,150	7,857
Net Debt as at 1 August	24	(43,643)	(51,500)
Net Debt as at 31 July	24	(27,493)	(43,643)



Notes to the Financial Statements

		CONSOLIDATED	
		2013 £'000	2012 £'000
1 FUNDING COUNCIL GRANTS			
Recurrent Grant Received from HEFCE		43,591	61,213
Specific Grants		3,161	3,320
National College for Teaching and Learning		1,910	3,680
Releases from Deferred Capital Grants:			
Buildings (Note 20)		2,071	1,100
Equipment (Note 20)		558	589
		51,291	69,902
Releases from Buildings Deferred Capital Grants include £1,000k (2012: nil) accelerated grant release as a result of property impairments. This has been treated as an exceptional item.			
2 TUITION FEES AND EDUCATION CONTRACTS			
Full-Time Home and EU Students		72,597	52,699
Part-Time Home and EU Students		5,300	4,602
Overseas Fees		26,556	26,799
Short Courses		2,343	3,415
Nursing Education Contract		21,228	22,121
Other Fees		547	484
		128,571	110,120
3 RESEARCH GRANTS AND CONTRACTS			
Research Councils		1,557	908
UK Based Charities		239	210
European Commission		851	1,124
Other Grants and Contracts		2,948	2,443
		5,595	4,685
Total research grants and contracts income (including that receivable from the Funding Council in Note 1 above) amounted to £8,441k (2012: £7,801k)			
4 OTHER INCOME			
Accommodation and Catering		15,367	15,046
Other Academic Income :			
Art Sales		52	73
Consultancy		413	527
Non Credit Bearing Programmes		1,162	939
Collaborative Ventures		4,940	4,315
Others		289	798
Other Services Rendered		9,738	7,904
Releases from Deferred Capital Grants (non Funding Council):			
Buildings (Note 20)		84	65
Equipment (Note 20)		194	91
		32,239	29,758

		CONSOLIDATED	
		2013 £'000	2012 £'000
5	INTEREST RECEIVABLE		
	Income from Short Term Investments	258	138
6	STAFF COSTS		
	Salaries and Wages	107,987	107,854
	Social Security Costs	8,701	8,591
	Other Pension Costs (Note 26)	16,356	14,648
		133,044	131,093
	Emoluments of the Vice-Chancellor		
	Remuneration	256	230
	Benefits	3	3
	Pension Contributions to USS	37	37
		296	270

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

		CONSOLIDATED	
		2013 Staff FTE	2012 Staff FTE
Remuneration of other Higher Paid Staff (Excluding Employers' NI and Superannuation)			
£100,000 – £109,999		8	13
£110,000 – £119,999		10	7
£120,000 – £129,999		5	-
£130,000 – £139,999		3	1
£140,000 – £149,999		1	1
£160,000 – £169,999		-	1
£180,000 – £189,999		-	1
£190,000 – £199,999		1	-

Included within the higher paid staff numbers for the current year are 11 (2012: 8) members of staff who have received severance payments totalling £712,611 (2012: £514,846), resulting in their total remuneration exceeding the minimum threshold for higher paid staff.

CONSOLIDATED

2013 Staff FTE	2012 Staff FTE
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Average Staff Numbers (expressed as full-time equivalents (FTE))

Academic	1,291	1,288
Academic Support	344	402
Student Support	226	224
Estates and Accommodation	516	522
Administration and Central Services	435	438
	2,812	2,874

7 GOVERNOR REMUNERATION

In accordance with the Instrument of Government, the Board of Governors has the power to remunerate the Chair of the Board for his service as a Governor. Governors who are also employees or students of the University are not entitled to claim such remuneration.

CONSOLIDATED

2013 £'000	2012 £'000
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Emoluments of the Chair of the Board of Governors

Remuneration	20	-
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Reimbursement of Governor expenses

All Governors are entitled to reimbursement of expenses incurred directly in attending meetings or other direct Board and Committee-related, provided that the claim is in accordance with the Financial Regulations, including the production of relevant receipts. In 2013, five Governors claimed a total of £2,640 in expenses (2012: eight Governors claimed a total of £5,212).

		CONSOLIDATED	
		2013 £'000	2012 £'000
8 OTHER OPERATING EXPENSES			
Accommodation and Catering		1,979	2,103
External Auditors' Remuneration:			
University External Audit		53	58
Subsidiaries External Audit		12	7
Other Services from External Audit		123	102
Internal Audit Services		138	200
Books and Periodicals		3,543	3,402
IT Supplies and Other Equipment		5,473	5,881
Marketing and Publicity		2,455	2,061
Printing, Postage and Stationery		1,705	1,823
Professional Services		6,413	6,638
Recruitment and Relocation		303	432
Rent, Rates and Utilities		9,553	9,158
Repairs and Maintenance		3,983	4,307
Scholarships and Mandatory Bursaries		7,443	7,493
Student Recruitment Costs		5,231	4,845
Telephone		435	566
Travel and Subsistence		5,439	5,409
Other Expenses:			
Bank Charges		181	199
Student Placement Fees		885	781
Student Union Grant		980	889
Subscriptions		914	846
Others		1,621	2,607
		58,862	59,807
Operating Lease Expenses included in the above are:			
Property Rentals		2,567	2,206
Equipment Hire		211	374
Vehicle Hire		11	13
		2,789	2,593

9 INTEREST AND FINANCE COSTS

On Bank Loans	3,068	1,822
On Defined Benefit Pension Scheme (Note 26)	1,340	1,600
On Enhanced Pension Scheme (Note 19)	143	194
	4,551	3,616

	Staff Costs 2013 £'000	Other Operating Expenses 2013 £'000	Interest Payable 2013 £'000	Total 2013 £'000	Total 2012 £'000
10 ANALYSIS OF EXPENDITURE BY ACTIVITY					
Academic Schools	83,228	11,518	-	94,746	102,905
Academic Services	13,022	9,102	-	22,124	20,963
Administration	24,387	21,201	-	45,588	36,675
Premises	6,447	9,912	3,068	19,427	18,880
Residences, Catering and					
Conferences	3,296	5,875	-	9,171	8,604
Research Grants and Contracts	2,425	1,254	-	3,679	3,570
Other Expenses	239	-	1,483	1,722	2,919
	133,044	58,862	4,551	196,457	194,516
Depreciation				13,716	13,679
Impairment				3,813	-
				213,986	208,195

11 TAXATION

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

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

12 SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

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

	2013 £'000	2012 £'000
University's Surplus for the Year	4,129	6,408
Deficit Generated by the Subsidiary Undertakings	(161)	-
	3,968	6,408

CONSOLIDATED and UNIVERSITY

	Freehold Land and Buildings £'000	Long Leasehold Buildings £'000	Short Leasehold Improvements £'000	Equipment £'000	Assets Construction £'000	Total £'000
13 TANGIBLE FIXED ASSETS						
Valuation/Cost at 1 August 2012	305,564	1,492	2,337	48,160	3,784	361,337
Additions at Cost	185	2	-	3,534	5,774	9,495
Work in Progress Completed	6,087	11	737	478	(7,313)	-
Gain on Property Revaluation	17,654	-	-	-	-	17,654
Loss on Property Revaluation	(9,174)	(142)	-	-	-	(9,316)
Valuation/Cost at 31 July 2013	320,316	1,363	3,074	52,172	2,245	379,170
Depreciation at 1 August 2012	13,569	77	1,098	36,583	-	51,327
Charge for Year	7,824	47	523	5,322	-	13,716
Gain on Property Revaluation	(15,457)	-	-	-	-	(15,457)
Loss on Property Revaluation	(2,941)	(110)	-	-	-	(3,051)
Depreciation at 31 July 2013	2,995	14	1,621	41,905	-	46,535
Net Book Value at 31 July 2013	317,321	1,349	1,453	10,267	2,245	332,635
Net Book Value at 31 July 2012	291,995	1,415	1,239	11,577	3,784	310,010

Freehold Land and Buildings include an amount of £4,000k (2012: £4,000k) for Kingston Park Rugby Ground, a property held for investment purposes. This property was valued on an open market basis at 31 July 2013. In accordance with SSAP 19, this property is not depreciated.

In line with the University's revaluation policy in respect of land and buildings, a valuation exercise was carried out at 31 July 2013. As a result of this revaluation exercise, an impairment charge of £3,813k has been recognised in the Income and Expenditure Account. Where deferred capital grants were held in respect of land and buildings subject to this exceptional impairment charge, additional deferred capital grant has been released to the Income and Expenditure Account proportionately to the impairment charge. This has resulted in an exceptional credit of £1,000k in respect of deferred capital grants released which relate directly to those assets impaired. The revaluation also resulted in a net gain of £30,659k through the Statement of Consolidated Recognised Gains and Losses.

The University's Property Advisors, BNP Paribas Real Estate UK, carried out the valuation at 31 July 2013 and have included properties either at open market value, existing use value or depreciated replacement cost as appropriate, in accordance with the RICS Appraisal and Valuation Standards. Buildings under construction are accounted for at cost and are not depreciated until they are brought into use. The valuation takes account of impairment and events and changes to circumstances that indicate the carrying amount of the fixed assets may not be recoverable.

Reconciliation of movements between opening and closing Net Book Values

	£'000	£'000
Net Book Value at 1 August 2012		310,010
Additions at Cost		9,495
Depreciation Charge for Year		(13,716)
Gain on Fixed Asset Revaluation - Cost	17,654	
- Depreciation	15,457	33,111
Loss on Fixed Asset Revaluation - Cost	(9,316)	
- Depreciation	3,051	(6,265)
Net Book Value at 31 July 2013		332,635

The loss on Fixed Asset Revaluation has been charged as follows:

Statement of Consolidated Total Recognised Gains and Losses	2,452
Income and Expenditure Account	3,813
	6,265

The gain of £33,111k on fixed asset revaluation has been taken to the Statement of Consolidated Total Recognised Gains and Losses.

The Exceptional Items disclosed in the Income and Expenditure Account are derived as follows:

Release of Deferred Capital Grants relating to revaluation exercise	1,000
Impairment of Fixed Assets on revaluation exercise	(3,813)
	(2,813)

There were no Exceptional Items in 2012.

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

	2013 £'000	2012 £'000
Historic Cost	323,749	317,464
Aggregate Depreciation Based on Cost	(51,137)	(45,131)
Net Book Value Based on Cost	272,612	272,333

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

14 FIXED ASSET – INVESTMENTS

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

Company	Activity	Issued Share Capital	£
University of Northumbria at Newcastle Developments Limited	Provision of Education Services	2 £1 Ordinary Shares	2
Northumbria International Limited	Support Services for Overseas Activities	1 £1 Ordinary Share	1
Northumbria University Nursery Limited	Provision of Nursery Services	1 £1 Ordinary Share	1
			4

The University also holds a 19% investment in Quantum Genetics Limited which was created as a spin-off business. The results of this company are not included in the consolidated statements because the University does not exercise significant influence. This company is treated as a trade investment in these financial statements.

	CONSOLIDATED		UNIVERSITY	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
15 DEBTORS				
Amounts falling due within one year				
Trade Debtors	3,562	2,029	3,561	2,029
Amounts Owed by Subsidiary Undertakings	-	-	238	72
Prepayments and Accrued Income	3,940	4,437	3,846	4,368
Other Debtors	110	112	110	112
	7,612	6,578	7,755	6,581
16 CURRENT ASSET INVESTMENTS				
Cash invested as a Short Term Deposit	5,000	-	5,000	-
	5,000	-	5,000	-

	CONSOLIDATED		UNIVERSITY	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
17 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank Loans (Note 18)	478	478	478	478
Other Loans (Note 18)	152	152	152	152
Trade Creditors	7,117	8,146	7,064	8,146
Amounts owed to Subsidiary Undertakings	-	-	49	-
Social Security and Other Taxes Payable	2,456	2,766	2,450	2,766
Accruals	5,688	5,210	5,688	5,210
Capital Grants not yet expended	644	751	644	751
Deferred Income	32,238	25,091	32,209	25,091
Other Creditors	751	1,129	751	1,129
External Funds (Note 27)	474	458	474	458
	49,998	44,181	49,959	44,181

	CONSOLIDATED and UNIVERSITY	
	2013 £'000	2012 £'000
18 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Bank Loans	66,055	66,533
Other Loans	76	228
Deferred Income	124	260
	66,255	67,021
Analysis of Bank and Other Loans by due dates		
Due within one year or on demand	630	630
Due between one and two years	3,119	630
Due between two and five years	9,131	9,207
Due in five years or more	53,881	56,924
	66,761	67,391
Due within one year or on demand	(630)	(630)
Due after more than one year	66,131	66,761

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

Analysis of Loans by Source

Lender	Type	Start	Term	Contractual Interest Rate	Due Within One Year £'000	Due in More Than One Year £'000
Barclays	£96m Revolving Credit Facility	10 March 2004	25 Years	Fixed at 5.8%	478	7,055
		1 August 2007	Up to 7 Years	Fixed at 5.7%	-	32,348
		1 August 2007	Up to 7 Years	Fixed at 4.8%	-	19,637
		1 August 2007	Up to 7 Years	Floating ¹	-	7,015
Salix	£34k Term Loan	9 July 2010	4 Years	Fixed at 0%	9	4
Salix	£573k Term Loan	9 July 2010	4 Years	Fixed at 0%	143	72
					630	66,131

¹ Fixed at 0.7% from 1 July 2013 to 31 July 2013

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

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

The following Hedges have been taken out against the Barclays loans:

Facility	Balance £'000	Hedge	From	To	Interest Rate
£96m RCF	£7,533	Fixed Rate	10 Sept 2004	10 Sept 2014	5.59%
	£32,348	Fixed Rate	1 August 2011	1 August 2036	5.52%
	£19,637	Fixed Rate	1 August 2012	1 August 2035	4.61%

At 31 July 2013 the aggregate fair value of these hedge agreements was a liability of £16.5m (2012: £21.8m). These fair values have not been included in these financial statements as the University has not adopted the fair value measurement rules available as an option under UK GAAP.

CONSOLIDATED and UNIVERSITY

	2013 £'000	2012 £'000
19 PROVISIONS FOR LIABILITIES AND CHARGES		
Enhanced Pension Provision	3,603	3,681
Restructuring Provision	760	1,500
At 31 July 2013	4,363	5,181
	£'000	
a) Enhanced Pension Provision		
At 1 August 2012	3,681	
Benefits Paid	(271)	
Interest Cost	143	
Actuarial Loss	50	
At 31 July 2013	3,603	

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

	£'000	
b) Restructuring Provision		
At 1 August 2012	1,500	
Utilised in the year	(1,500)	
Provided in the year	760	
At 31 July 2013	760	

The University restructuring exercise is still on-going. This has restructured eight Schools into four Faculties and has also reviewed support services. This provision has been recognised in respect of severance costs that are still anticipated and the restructure is expected to be complete by the end of December 2013.

CONSOLIDATED and UNIVERSITY

	Funding Council £'000	Other £'000	Total £'000
20 DEFERRED CAPITAL GRANTS			
At 1 August 2012			
Buildings	23,137	1,236	24,373
Equipment	1,319	160	1,479
Total	24,456	1,396	25,852
Grants Received			
Buildings	-	293	293
Equipment	696	301	997
Total	696	594	1,290
Released to Income and Expenditure Account			
Buildings	2,071	84	2,155
Equipment	558	194	752
Total	2,629	278	2,907
Unexpended Grants transferred from Creditors			
Buildings	-	-	-
Equipment	751	-	751
Total	751	-	751
Unexpended Grants transferred to Creditors			
Buildings	-	-	-
Equipment	644	-	644
Total	644	-	644
At 31 July 2013			
Buildings	21,066	1,445	22,511
Equipment	1,564	267	1,831
Total	22,630	1,712	24,342

	CONSOLIDATED			
	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total £'000
21 RECONCILIATION OF MOVEMENT IN RESERVES				
At 1 August 2012	78,506	119,731	(98,596)	99,641
Surplus for Year	-	3,968	-	3,968
Historical Cost Transfer	(1,865)	1,865	-	-
Unrealised Impairment on Property Revaluation	(2,452)	-	-	(2,452)
Unrealised Surplus on Property Revaluation	33,111	-	-	33,111
Pension Scheme Transfer	-	1,851	(1,851)	-
Actuarial Gain in Respect of Defined Benefit Pension Scheme	-	-	1,730	1,730
Actuarial Loss in Respect of Enhanced Pension Provision	-	(50)	-	(50)
At 31 July 2013	107,300	127,365	(98,717)	135,948

	UNIVERSITY			
	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total £'000
At 1 August 2012	78,506	119,729	(98,596)	99,639
Surplus for Year	-	4,129	-	4,129
Historical Cost Transfer	(1,865)	1,865	-	-
Unrealised Impairment on Property Revaluation	(2,452)	-	-	(2,452)
Unrealised Surplus on Property Revaluation	33,111	-	-	33,111
Pension Scheme Transfer	-	1,851	(1,851)	-
Actuarial Gain in Respect of Defined Benefit Pension Scheme	-	-	1,730	1,730
Actuarial Loss in Respect of Enhanced Pension Provision	-	(50)	-	(50)
At 31 July 2013	107,300	127,524	(98,717)	136,107

	CONSOLIDATED	
	2013 £'000	2012 £'000
22 CAPITAL COMMITMENTS		
Committed and Contracted for	2,356	3,157

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

Surplus Before Tax	3,968	6,408
Interest Receivable	(258)	(138)
Interest Payable	4,551	3,616
Depreciation	13,716	13,679
Impairment of Tangible Fixed Assets	3,813	-
Deferred Capital Grants Released to Income	(2,907)	(1,845)
Pension Adjustments to Staff Costs	511	(109)
Pension Adjustments to Interest Payable	(143)	(194)
Decrease/(Increase) in Stocks	28	(52)
(Increase)/Decrease in Debtors	(1,034)	522
Increase/(Decrease) in Creditors	5,681	(3,354)
Capital Grants transferred from Creditors	751	931
Capital Grants transferred to Creditors	(644)	(751)
(Decrease)/Increase in Provisions	(868)	1,428
Net Cash Inflow from Operating Activities	27,165	20,141

	CONSOLIDATED			
	Opening £'000	Cash Flow £'000	Other £'000	Closing £'000
24 ANALYSIS OF CHANGES IN NET DEBT				
Cash and Bank	23,748	10,520	-	34,268
Investments	-	5,000	-	5,000
Debt due within One Year	(630)	630	(630)	(630)
Debt due after One Year	(66,761)	-	630	(66,131)
Net Debt	(43,643)	16,150	-	(27,493)

CONSOLIDATED and UNIVERSITY
25 FINANCIAL COMMITMENTS

At 31 July 2013 the University had annual commitments under non-cancellable operating leases as follows:

	2013 £'000	2012 £'000
Amounts Expiring Within One Year	354	364
Amounts Expiring Between One and Two Years	110	73
Amounts Expiring Between Two and Five Years	309	453
Amounts Expiring in More than Five Years	4,577	1,719
	5,350	2,609
Analysed by:		
Property Rentals	5,192	2,334
Equipment Hire	158	262
Vehicle Hire	-	13
	5,350	2,609

26 PENSION SCHEMES

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

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

TPS	6,706	6,441
USS	834	717
LGPS	8,813	7,487
Enhanced Pension Contributions	3	3
Total	16,356	14,648

The following information, taken from the latest scheme valuations, has been used to determine the contribution levels of the Schemes for 2012/13:

	TPS	USS	LGPS
Investment returns per annum	6.5%	4.4%	5.2%
Salary scale increase per annum	4.5%	4.4%	5.3%
Pension increase per annum	*	3.4%	3.3%
Market value of assets at date of last valuation	£163,240m	£32,434m	£4,305m
MFR proportion of members' accrued benefits covered by the actuarial value of the assets	98%	92%	79%

* Information not readily available

Teachers' Pension Scheme (TPS)

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

The Teachers' Pension Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

The last valuation of the TPS related to the period 1 April 2001 – 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500m. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240m. The assumed real rate of return is 3.5% in excess of prices and 2.0% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced – effective for the first time for the 2008 valuation – a 14.0% cap on employer contributions payable.

The value of employee and employer contributions paid to the TPS in the year amounted to £10,847k (2012: £10,076k).

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated 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 and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second 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. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for three years following the valuation then 2.6% per annum thereafter.

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the on-going cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The Normal pension age was increased for future service and new entrants, to age 65.

Flexible retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

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

The contribution rate payable by the University was 16% of pensionable salaries.

The value of employee and employer contributions paid to the USS in the year amounted to £1,260k (2012: £1,079k).

Tyne and Wear Pension Fund (TWPF)

LGPSs are regulated by statute, with separate regulations for (a) England and Wales and (b) Scotland. The benefits of the LGPSs are determined nationally by regulation and meet the definition of a defined benefit scheme. The South Tyneside Metropolitan Council is the administering authority for the TWPF. The metropolitan councils in Tyne 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 for non-academic administrative staff was 14.1%.

The value of employee and employer contributions paid to the TWPF in the year amounted to £9,352k (2012: £9,603k).

Financial Reporting Standard 17 (FRS 17): Retirement Benefits

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

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

Contributions for the accounting period ending 31 July 2014

The Employer’s regular contributions to the Fund for the accounting period to 31 July 2014 are estimated to be £7,270k. In addition, Strain on Fund Contributions may be required.

Assumptions

The latest actuarial valuation of Northumbria University’s liabilities took place as at 31 March 2010. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 17 purposes were:

Principal Actuarial Assumptions	Year Ended 31 July 2013	Year Ended 31 July 2012
Discount Rate	4.5%	4.3%
RPI Inflation	3.6%	3.1%
CPI Inflation	2.7%	2.1%
Rate of increase to pensions in payment	2.7%	2.1%
Rate of increase to deferred pensions	2.7%	2.1%
Rate of general increase in salaries	4.6%	4.6%
Post retirement mortality	At 31 July 2013 Years	At 31 July 2012 Years
Males		
Future lifetime from age 65 (currently aged 65)	21.7	21.6
Future lifetime from age 65 (currently aged 45)	23.5	23.4
Females		
Future lifetime from age 65 (currently aged 65)	23.9	23.8
Future lifetime from age 65 (currently aged 45)	25.8	25.7

Expected return on assets

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

	Long-term expected Rate of Return at 31 July 2013 %	Asset split at 31 July 2013 %	Long-term expected Rate of Return at 31 July 2012 %	Asset split at 31 July 2012 %	Long-term expected Rate of Return at 31 July 2011 %	Asset split at 31 July 2011 %
Equities	7.8	66.6	7.5	65.9	7.9	67.6
Property	7.3	8.9	7.0	9.0	7.4	8.5
Government Bonds	3.3	3.6	2.5	7.3	3.9	6.9
Corporate Bonds	4.0	11.6	3.2	12.1	4.7	11.6
Cash	0.9	2.3	1.4	1.9	1.5	1.3
Other	7.8	7.0	7.5	3.8	7.9	4.1
Total	7.0	100.0	6.5	100.0	7.1	100.0

Northumbria University employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 July 2013.

The following amounts for 31 July 2013 were measured in accordance with the requirements of FRS 17:

	Value as at 31 July 2013 £'000	Value as at 31 July 2012 £'000
Reconciliation of Funded Status to Balance Sheet		
Fair Value of Fund Assets	162,988	138,800
Present Value of Liabilities	(261,705)	(237,396)
Net Pension Liability	(98,717)	(98,596)
	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Analysis of Income and Expenditure Charge		
Current Service Cost	7,550	7,081
Past Service Cost – Strain on Fund Contributions	1,263	406
Interest Cost	10,290	11,040
Expected Return on Assets	(8,950)	(9,440)
Expense recognised in Income and Expenditure	10,153	9,087

The Expense recognised in the Income and Expenditure account was allocated £8,813k (2012: £7,487k) to Staff Pension Costs and £1,340k (2012: £1,600k) to Interest Payable.

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000
Analysis of the amount recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	11,960	(7,620)
Changes in assumptions underlying the present value of the scheme liabilities	(10,230)	(15,210)
Actuarial Gain/(Loss) recognised in STRGL	1,730	(22,830)
Changes to the Present Value of Liabilities during the year		
Present Value of Liabilities as at 1 August	237,396	205,543
Current Service Cost	7,550	7,081
Interest Cost	10,290	11,040
Contributions by Participants	2,288	2,377
Actuarial Losses on Liabilities	10,230	15,210
Net Benefits Paid Out	(7,312)	(4,261)
Past Service Cost – Strain on Fund Contributions	1,263	406
Present Value of Liabilities as at 31 July	261,705	237,396
Changes to the Fair Value of Assets during the year		
Fair Value of Assets as at 1 August	138,800	131,268
Expected Return on Assets	8,950	9,440
Actuarial Gains/(Losses) on Assets	11,960	(7,620)
Contributions by Employer	8,302	7,596
Contributions by Participants	2,288	2,377
Net Benefits Paid Out	(7,312)	(4,261)
Fair Value of Assets as at 31 July	162,988	138,800

	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000	Year Ended 31 July 2010 £'000	Year Ended 31 July 2009 £'000
History of Experience Gains and Losses					
Difference between the expected and Actual return on scheme assets					
Amount – £'000	11,960	(7,620)	4,110	10,800	(12,120)
Percentage of scheme assets	7.3%	-5.5%	3.1%	9.5%	-13.5%
Experience gains/(losses) on Scheme liabilities					
Amount – £'000	(80)	(1,030)	(2,580)	1,490	(390)
Percentage of present value of Scheme liabilities	-0.0%	-0.4%	-1.3%	0.8%	-0.2%
Total amounts recognised in STRGL					
Amount – £'000	1,730	(22,830)	(6,300)	17,701	(32,290)
Percentage of scheme liabilities	0.7%	-9.6%	-3.1%	9.8%	-18.8%

CONSOLIDATED and UNIVERSITY

	2013 £'000	2012 £'000
27 EXTERNAL FUNDS		
a) Access Funds		
As at 1 August	10	6
Funding Council Grants	499	517
Interest Earned	1	1
	510	524
Disbursed to Students	(489)	(498)
Administration Fees	(15)	(16)
As at 31 July (Included in creditors – Note 17)	6	10
The University is allowed to charge an admin fee of up to 3% of the Grant.		
b) National College for Teaching and Learning Bursaries		
As at 1 August	448	489
Funding Council Grants	1,571	484
	2,019	973
Payments to Trainees	(1,551)	(525)
As at 31 July (Included in creditors – Note 17)	468	448

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

28 RELATED PARTY TRANSACTIONS

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

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

	Sales 2013 £'000	Purchases 2013 £'000	Sales 2012 £'000	Purchases 2012 £'000
British Engines Ltd.	-	-	14	-
Colour Me Beautiful Ltd.	-	2	-	-
Deloitte LLP	-	23	-	18
HESA	-	45	-	48
IBM	-	14	-	13
Mincoffs Solicitors	-	-	9	-
Newcastle Building Society	-	-	3	-
Northumbrian Water	-	4	-	-
Port of Tyne Authority	-	-	2	-
Shared Interest	-	-	4	-
University of Northumbria Students' Union	270	1,093	239	1,237
UNW LLP	-	22	-	-
	Debtor 2013 £'000	Creditor 2013 £'000	Debtor 2012 £'000	Creditor 2012 £'000
HESA	-	-	-	2
Shared Interest	-	-	4	-
University of Northumbria Students' Union	8	8	11	84
UNW LLP	-	4	-	-

On 13 February 2013, a short term loan of £4,500 was authorised and advanced to the Vice-Chancellor and Chief Executive, Professor Andrew Wathey. This amount was repaid in full on 25 July 2013. The loan was interest free and unsecured.

During the year the University recognised income of £21,308k (2012: £22,121k) and incurred expenditure of £212k (2012: £165k) from transactions with subsidiary undertakings (as listed in Note 14). Amounts due to and from subsidiary companies are disclosed in Notes 15 and 17.

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