



**Annual Report and  
Financial Statements 2013 / 2014**

Vice-Chancellor's Foreword.....	4
Chair's Introduction .....	6

### The University

Northumbria's achievements in 2013/14 at a glance .....	8
Introduction.....	10
History and Development of the University .....	10
Operating Environment.....	12
Vision 2025 and the Corporate Strategy 2013-18.....	14
More of Northumbria's achievements 2013 /14 .....	18

### Operating and Financial Review

Review of Operations .....	20
Public Benefit Statement .....	22
Corporate Governance Statement and Statement on Internal Control.....	26
Responsibilities of the Board of Governors in the preparation of the Financial Statements.....	28
Register of Governors and Professional Advisors.....	31
Financial Review .....	32
Financial Performance .....	34
Independent Auditor's Report to the Board of Governors of Northumbria University.....	36
Statement of Principal Accounting Policies.....	38

### Consolidated Financial Statements .....

### Notes to the Financial Statements .....





**In the last year Northumbria University, Newcastle has made significant progress in implementing its Corporate Strategy and realising its vision to be a research-rich, business-focused professional university with a global reputation for academic excellence.**

In 2013/14 we increased our income to £226m, had more applications than ever before, and from students with higher grades; we continued to develop strong partnerships in Gateshead, London and Jakarta and received notable awards including the prestigious Queen's Anniversary prize for Higher Education. We have made significant investment in the delivery of our Corporate Strategy including £12.2m in capital expenditure while maintaining the financial stability of the University with net assets of £180.5m and a historical cost surplus of £7.3m. Our success and achievements this year are further evidence of Northumbria's commitment to transform the University with the student at the centre of everything we do.

Northumbria thrives on working in partnership and this year has seen many of its partnership projects come to fruition. Working with QA, we launched a campus in the City of London, offering students access to Northumbria's programmes and student experience alongside outstanding placement opportunities in the heart of the capital's business and financial district, and meeting the University's ambition to be present in both of the UK's top student cities. We also entered into an agreement with QA for on-campus pathway provision in Newcastle as part of our wider Northumbria Global project, designed to enhance the experience of international students. The end of the year saw the completion of the 1000-bed student village at Trinity Square in Gateshead town centre, the largest mixed-use development outside London, which brings both a university presence and regeneration to Gateshead town centre and builds on the wider NewcastleGateshead collaboration of recent years. Achieved in partnership with Gateshead Council and Spenhill, Trinity Square opens its doors for the 2014-15 academic year, and is expected to make a significant impact on the town centre and the local economy.

Partnership working was also a theme in Northumbria's international work during the year. Working in collaboration with BINUS University in Indonesia, we jointly launched the BINUS-Northumbria School of Design in Jakarta in March 2014. Northumbria's international presence continues to grow, with over 8,000 international students now studying for Northumbria degrees. Over the course of the year, in a rapidly changing regulatory environment, the University has also maintained its strong and longstanding partnership with the NHS to deliver Health Education programmes for almost 1000 students with a contract value of £21.58m.

Northumbria achieved a 100 per cent overall satisfaction score in nine subject areas in the 2014 National Student Survey (NSS), and a further 41 courses achieved 90 per cent or higher. In the Student Experience Survey carried out by Times Higher Education Northumbria climbed 24 places from 45th position in 2011 to 21st position in 2014. The University continues to focus on its most important assets: its students, its staff and the academic excellence of its programmes. Despite the

growth of competition in the Higher Education (HE) sector, Northumbria saw its largest number of applications ever and recruited its target numbers of students at higher entry quality than previously. As better qualified students enter the University in greater numbers, it becomes more important than ever that the University meets their expectations by continuing to place the student's classroom experience at the centre of its thinking. The significant increase in the number of research grants won this year, up in value from £5.7m in 2012/13 to £7.3m, is matched by the increasing importance of research-informed teaching in the University's programmes. And investment in the delivery of the Corporate Strategy will continue to support the transformation of the University.

In February 2014 the University was awarded the Queen's Anniversary Prize in Further and Higher Education for the work of the Student Law Office, which develops students' professional legal skills and works with leading charities to improve access to justice. This year Northumbria also became the first – and so far the only – University in Europe to win accreditation from the Association to Advance Collegiate Schools of Business for both its business and its accounting programmes. Double accreditation has been achieved by only one per cent of Business Schools worldwide.

Northumbria continues to attract and retain world-class and internationally-leading researchers across all of our Faculties. The University has led on distinctive research collaborations and partnerships, and is attracting more research funding and recognition from a range of sources. In its submission to the Research Excellence Framework 2014, Northumbria returned double the number of staff returned in 2008. The University secured an award of £1.2m from the Arts and Humanities Research Council (AHRC) to develop a Centre for Doctoral Training, one of only 18 awarded nationally. The University's developing work in innovation has also been recognised by government and global businesses, including Unilever with whom Northumbria has delivered a suite of projects from its studios at the Northern Design Centre, and with which we have now entered into an exciting five year partnership. This work adds to a successful year for Northumbria's work with businesses, which saw the University increase its enterprise income by over 20%.

The University's achievements over the past 12 months and its solid financial position provide a strong foundation from which we can work towards making the ambitious Vision 2025 a reality. By harnessing the talent and experience of our staff and students, combining academic excellence, an outstanding experience and demand focus, Northumbria will demonstrate that it is a new kind of excellent university, and increasingly the natural choice for students, staff and partners.

**Professor Andrew Wathey**

*Vice-Chancellor and Chief Executive*



Northumbria University's Annual Report and Financial Statements for 2013/14 highlight many and varied achievements over the past year. It is pleasing to report the University remains in a strong position to look forward to the challenges and opportunities of another year.

The most significant achievement is the University's growing ability to attract high-achieving students and it is good to see so many recognising Northumbria's distinctive appeal. Our success and achievements this year are further evidence of Northumbria's commitment to transform the University with the student at the centre of everything we do.

Through outstanding teaching and learning, innovative research and collaborative work with partners at home and overseas, we are already transforming lives. The journey we are now on is to focus on the student experience and the academic excellence of our programmes to the benefit of students and stakeholders alike.

The global, national and regional presence of the University continues to grow from strength to strength. In this reporting year, the University has confirmed existing links with prestigious institutions in Indonesia, and received highly sought after international accreditation for key programmes in the University's flagship Newcastle Business School. The launch of the University's London Campus further develops Northumbria's international footprint building the University's connectivity with London – the world's knowledge capital –

and thereby improving exposure and access to national and international research. Regionally, the University goes from strength to strength, and the launch of the award-winning Trinity Square student village and development in the heart of Gateshead, brings to life the crucial role played by the University in regional co-operation and regeneration.

The successes reported in this document, combined with the solid financial performance of the University in a challenging economic context for the higher education 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 sustainable platform from which we can achieve our ambitious goals.

The realisation of the ambitious goals of the Corporate Strategy 2013-18 require sound finances and resources for sustainability, investment and strategic leadership. The Annual Report and Financial Statements provide ample evidence of this.

**Chris Sayers**

*Chair of the Board of Governors*

# NORTHUMBRIA'S ACHIEVEMENTS IN 2013/14 AT A GLANCE

The University was awarded the **Queen's Anniversary Prize for Further and Higher Education** for its Student Law Office



The University secured the **highest number of Home/EU undergraduate applicants** than ever in its history, with higher average UCAS Entry Points

Northumbria has strengthened its **longstanding partnership with the NHS for commissioning Health Education Programmes**, with almost 1000 students and a contract value of £21.58m

Northumbria is ranked **21st nationally in the 2014 Student Experience Survey** compared to 45th three years ago (Times Higher Education)



Northumbria University's **Newcastle Business School is one of the 1% of business schools worldwide** to achieve the accreditation of both its business and accountancy programmes by the Association to Advance Collegiate Schools of Business in 2014





Northumbria was placed **4th in the UK for graduates establishing start-up companies** (Sir Andrew Witty's Review of Universities and Growth)

Northumbria is ranked **8th in the British Universities and Colleges Sports and is rated Top 5 for sporting facilities in the UK** (Times Higher Education Student Experience Survey 2014)

Northumbria **won twice as many research awards**, worth 30% more in value compared to 2012/13.

Northumbria is **leading a pioneering project to encourage young people, particularly girls, into careers in STEM subjects**, through the three year £3.3m HEFCE co-funded Think Physics project



Northumbria is ranked in the **Top 10 in the UK for the number of graduates entering professional employment** (2014 DLHE Survey)



## Introduction

This document includes an overview of performance during 2013/14 along with the Financial Statements of the University for 2013/14. The document has been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education Institutions* and the Accounts Directions issued by the Higher Education Funding Council for England (HEFCE).

## History and Development of the University

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

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

More than £200M has been invested in Northumbria's estate, environment and facilities in recent years, including development of the £30m Sport Central complex. The scale and pace of investment has been a key driver in meeting the University's goal to deliver an outstanding student experience, and has done much to raise satisfaction levels among students. Northumbria has risen to 21st in the 2013 Times Higher Education Student Experience Survey, with students rating the



*NewcastleGateshead*

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

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

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

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

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

# Operating Environment

## Global

Competition to recruit international students remains strong. In this climate, a continuing challenge for the Higher Education (HE) sector is the student immigration system. Work is ongoing with Universities UK (UUK) and the Government to ensure that where universities can influence this, the system 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. Northumbria set its fees for 2013/14 at £8,750, supplemented by one of the most generous packages of financial support for students. The ability of HEIs to recruit unlimited numbers of students with grades ABB+ at 'A' Level, or equivalent, also continued to raise the quality profile of undergraduate entrants, and Northumbria has already achieved an increase in the entry points of its new students in 2013 and 2014.

## Regional

Northumbria University continues to play an important role as an anchor institution in the North East and a keen partner for a range of local stakeholders from local authorities, further education colleges, schools, businesses and industry.

Delivering through partnership is one of the University's distinctive traits. In 2013/14, the University has launched new and exciting partnership arrangements with the Great North Run Culture, International Centre for Life, Live Theatre, Tyne and Wear Archives and Museums and Tyneside Cinema. All of these partnerships are aligned to the University's academic programmes and as such add that extra edge to the student experience through their direct access to industry.

The University is a key partner 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. The partnership has not only transformed Gateshead city centre but provides accommodation for 1000 students who will stimulate the local economy and add diversity to the local community.

During the year, the University established over 50 internships with North East employers through the Northumbria 'Graduates Into Business' programme, with European Regional Development Fund support match-funded by the University, which also created new graduate-led enterprises.

The Northern Design Centre, in the Baltic Business Quarter on Gateshead Quays, offers a new way of working for students and partners. It provides practice-based learning opportunities for Northumbria students, and new opportunities for business engagement and knowledge transfer. During the year a series of successful 'sandpit'-style research workshops took place which established new research and funding opportunities with a variety of organisations and the first cohort of students completed the new Entrepreneurship Undergraduate Degree Programme.

By working with other organisations to combine strengths and resources, the University is able to make a real difference to the region's people, organisations and communities. During 2013/14, the University has continued to be identified as, an anchor institution and powerhouse to deliver a strong economic future for the North East region.

# Vision 2025 and Corporate Strategy 2013-18

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

## Vision 2025

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

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

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

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



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



## Corporate Strategy 2013–18

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

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

# MORE OF NORTHUMBRIA'S ACHIEVEMENTS 2013 / 14

## LEARNING AND TEACHING

Northumbria is the only UK University to have all three of its Building, Architecture and Land and Property Management programmes in the Top 10 in the Complete University Guide 2015.

Northumbria has more graduates in the North East earning £25,000 than any other University.

Northumbria is leading the field in Initial Teacher Education as the only University in the UK to have all its programmes rated as Outstanding by Ofsted for 13 years running.



Northumbria's Library has been ranked joint third alongside Cambridge in the Times Higher Education Student Experience Survey 2014.



Northumbria is in the UK top 10 for the number of graduates entering professional employment in the DLHE Survey 2014.

Northumbria was named the UK's Nurse Education Provider of the Year: Post-Registration for the third year running at the Student Nursing Times Awards 2014.

Nine subjects scored a 100% overall student satisfaction rating in the 2014 National Student Survey.

## RESEARCH AND INNOVATION

Northumbria has secured over £380,000 from Kellogg's which has helped support research into school and community Breakfast Clubs.

Northumbria has been awarded a major grant from the Engineering and Physical Sciences Research Council for a four-year project, in collaboration with Durham and Nottingham Trent Universities, the Reece Group and Schlumberger Cambridge Research.



Northumbria is one of a limited number of post 1992 Universities to be awarded a prestigious Leverhulme Trust Early Career Fellowship grant worth just under £100,000.

The University has won a successful bid for a £350,000 programme on transnational crime and criminal justice.

Northumbria's ongoing Design and Innovation activity with Unilever is growing with the University hosting five collaborative projects at the Northern Design Centre, based on Unilever's Sustainable Living Plan for environmental impact reduction.



## BUSINESS AND ENGAGEMENT

Over 50 internships with North East employers were established through the Northumbria Graduates Into Business programme, a European Regional Development Fund supported initiative that also supported the creation of new graduate-led enterprises.

Northumbria's Knowledge Transfer Partnerships (KTPs), the Innovate UK-funded programme to support new research-based business growth, grew apace with associates now working with bioscience, automotive, care and advanced engineering businesses and KTPs securing two of the nine national KTP Awards.



The partnership with Newcastle's International Centre for Life led to an innovative Masters programme: the MSc Public Engagement with Science, and the two partners have since worked together to launch the UK debut of the Bodyworlds Vital exhibition at the Centre.

Northumbria cemented its partnership with Tyne and Wear Archives and Museums with the launch of the Rothschild Ceramic Bursary awarded in its first year to ceramic artist Stephen Graham.

*Encouraging a British Invention Revolution: Sir Andrew Witty's Review of Universities and Growth* for the UK Government identified Northumbria University's strength in supporting graduate enterprises ranking Northumbria fourth among the UK's HEIs.



## INTERNATIONAL

Northumbria exceeded its on campus international recruitment target and grew its income from overseas franchised programmes. Over 2700 international students study at the University's Newcastle campus, while nearly 5,000 study on franchised programmes overseas, from 128 countries.



The BINUS-Northumbria School of Design in Jakarta was formally launched by the Vice-Chancellor and the Minister for Universities and Science in March 2014.

The first group of 40 Brazilian Science without Borders scholars joined the University to study on a range of science and engineering courses.

## REVIEW OF OPERATIONS

### Tuition Fees and Funding

Northumbria University's fee for 2013/14 was set at £8,750 for Home/EU Undergraduates and will move to a fee of £9,000 for 2014/15 within the new fee regime. The University has one of the most generous packages of financial support for students. A £16m investment in support reflects the University's commitment to help high-achieving students regardless of their ability to pay.

- **Widening Participation:** Northumbria is committed to widening participation to encourage the best and brightest students, regardless of background, to apply to Northumbria; to enable them to complete their studies and to succeed academically, personally and professionally. Its Access Agreement, agreed by the Office for Fair Access (OFFA), sets out the actions it will take to achieve its Widening Participation Strategy.
- **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.
- **Scholarships:** High-achieving students with A-Level grades ABB+ or equivalent commencing study in 2013/14 received a scholarship of £2,000. This, along with the strong academic offer at Northumbria has seen a 28% rise in the number of ABB+ students joining the University in 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 of its operations and activities, including the Student Experience. The University has made a commitment that no student will be faced with additional costs for any element of their course that is considered mandatory. The University believes this supports students with their financial planning and ensures that all students, irrespective of background and income, will be able to benefit from a full and rewarding learning experience.
- **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 2013/14 the University focused on recruiting high quality, doctorally-qualified academic staff to drive a further improvement in academic quality as well as contributing to the Research Excellence Framework (REF) 2014. The University has now increased the number of staff with a doctorate to 46%. Also work has continued to embed the changes planned following a major organisational restructure which took place in 2012/13. This work has led to more focused professional services and has helped the University to work better as 'One University'.

The new Academic Employment Framework and workload model that have been implemented will ensure that teaching is informed by research and enterprise activity of Northumbria academics. These include a revised Performance Development and Appraisal Scheme and new contractual clauses for academic staff in relation to the categorisation and planning of work, hours of work and annual leave. The University invested significantly in a number of Talent, Leadership and Graduate programmes in 2013/14, aligned to the Leadership Attributes, which embed the seven dimensions of leadership at Northumbria into professional practice. Team development and lean programmes have been developed and run to help senior teams to work together and lead change effectively.

The University has taken steps to further engage its staff this year through a series of engagement sessions and a Staff Survey to enable the views of all staff to be shared and considered in a structured way. Frameworks to encourage staff to work-shadow and be coached, mentored and experience other parts of the University have also been developed and introduced.

A new integrated HR and Payroll System has been implemented in 2013/14 which provides new ways of undertaking key HR processes and replaces multiple paper based, inefficient systems throughout the University. This has provided improved Management Information and a foundation on which to build ambitious and exciting new HR functionality in future years.

## Estate

During 2013/14 a new Estates Development Plan was developed as a framework for the management and development of the estate for the next five years, in line with the University's Corporate Strategy and Vision 2025.

The Plan is based around four key themes: capital investment for the development, refurbishment and enhancement of the University campuses; safeguarding options and creating new proposals for longer term developments that enhance the overall value and flexibility of the estate; strategic property acquisitions to support the ambitions of the University; and the disposal of surplus property assets to raise capital for reinvestment into the Corporate Strategy.

The Plan reflects the high level of investment made in the estate in recent years and is focussed on making greater use of the existing estate, improving space utilisation and becoming more sustainable by reducing energy consumption.

A further £4m has also been invested this year improving the estate to create new or upgrade existing classrooms, laboratories and lecture theatres across the City and Coach Lane Campuses.

The development of Northumbria's award-winning new 1000-bed student accommodation at Trinity Square, Gateshead completed during the year and welcomed its first students in September 2014.

## Sustainability

Environmental Sustainability continues to be a focus for the University with good practice being widely promoted to students and staff. A range of successful sustainability campaigns have been delivered during the year including Student Switch Off, NUS Green Impact and the Student Energy Ambassador scheme. The University now has over 300 students actively participating in energy awareness programmes.

The University continues to perform well in the areas of waste reduction and energy conservation as recognised by its recent improvement in the People and Planet Green League survey. 100% of its trade waste is now directed away from landfill and 96% of the University's energy supply is now sourced from renewables via a 'green tariff' scheme.

There have also been significant improvements during the year to reduce Northumbria's carbon emissions. The installation of energy efficient LED lighting in student accommodation has saved 100,000kg CO<sub>2</sub> and the new fleet of catering vending machines across the campuses emit 1,000kg CO<sub>2</sub> less than the machines they replaced.

Planning work is underway to prepare a new Carbon Management Plan to support the delivery of further significant improvements in Environmental Sustainability.

## Information Technology

The IT Strategy has a major focus on improving the student experience and corporate efficiency. Significant progress has been made with the implementation of the Strategy, of which many of the planned projects are now underway or delivered.

Progress continues to be made on a wide range of projects, including the new University website which went live in June 2014 and Connect NU, the new app that gives students access to key University services from their smartphones, tablets or PCs. Students can now access their academic timetable, search and reserve a book from the library 'on-the-move', search for staff details and check the availability of laundry facilities in the student residences.

This year the University has also implemented Wi-Fi upgrades, a storage upgrade to improve resilience, and going into 2014 a student intranet solution and electronic submission, assessment and feedback system for student work. September 2014 will also see the launch of 20 new online distance learning programmes meeting Northumbria's desire to increase the breadth of distance learning solutions.

## PUBLIC BENEFIT STATEMENT

The University is an 'exempt charity' under Schedule 2 of the Charities Act 1993 and Charities Act 2006 (now consolidated in Part 3 and Schedule 3 of the Charities Act 2011). On this basis the University is not subject to the direct oversight of, and registration with, the Charity Commission, but from 1 June 2010, HEFCE became 'principal regulator' of the University as an exempt charity. The University has reviewed its relationship with its subsidiary, associated or linked charitable entities and does not have any which require reporting on a paragraph 'w' basis.

In producing this Statement, the Board of Governors confirms that as the Trustees of the University, it has had due regard to the Charity Commission's public benefit guidance. All new Governors are provided with guidance on the principles and duties of trusteeship, with further information contained in the Governors' Handbook which explains the principles of trustees' duties of prudence, care and diligence. During 2013/14 the Board of Governors considered the University's Regulations and the Charity Commission's Payment of Trustees guidance in the context of one Trustee (an Independent Governor) being granted leave of absence to engage in consultancy work for the University. There is no statutory definition of 'public benefit' under UK charity law. However, through this Statement, the University is able to demonstrate how it fulfils its charitable purposes. The University responds to, and advances, a number of the 12 charitable strands listed in the Charities Act 2011. Reference has been made to recommended good practice identified by HEFCE on public benefit reporting for HEIs to provide examples which illustrate the University's public benefit impact.

The University's cutting-edge research advances many of the 12 charitable purposes. For example its research in allied-health professions has a philosophy of growing partnerships beyond academic partners, but with non-academic users and beneficiaries and public engagement resulting in health improvements and benefits for public well-being. However, some specific commentary and demonstration of the University public benefit impact is provided for four areas.

### 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 those from non-traditional and non-participating backgrounds in over 400 schools and colleges, regionally and nationally.

The Northumbria University Compact Scheme has an initial focus of 14 targeted schools, to provide support to students with the potential to succeed in HE who come from backgrounds that have traditionally been barriers to entry and success in HE. 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 strand.

The University's team of Graduate Ambassadors are recent graduates of Northumbria University who aim to provide students with information on their experiences of Higher Education to support students in making an informed decision. The range of widening participation initiatives at secondary education level include the University's Supported Entry Scheme, working with 15 schools from Tyne and Wear and Northumberland, engaging Year 12 and 13 students to provide the opportunity to develop skills necessary for successful undergraduate study, increasing their confidence and guiding them through the stages leading up to application step-by-step as they consider and apply for university.

#### Think Physics

During 2013/14 the University was awarded £1.2m from HEFCE for a pioneering project to get young people to 'Think Physics' from early years through to University. Think Physics is an innovation cradle-to-career project aimed at using physics to inspire young people, particularly women, into Science, Technology, Engineering and Mathematics (STEM) disciplines. Think Physics looks to target this gender imbalance by changing the way young people, particularly girls and under-represented groups, engage with science from early years to sixth form and on to university. The project will seek to address the national shortage of STEM skills in the UK by inspiring more young people to take up these disciplines at university, and thereby supports the University's Widening Participation (WP) policy, as well as having a regional and national influence.

The University's scholarships and bursaries support package continues to be one of the most generous packages offered across all UK HEIs. In turn, its post-enrolment commitment extends to providing extensive, integrated student support services. 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, and 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 Universities impressive employability rates which regularly rank us in the top decile of UK universities.

## The advancement of citizenship or community development

Northumbria's success in business and engagement activity within the region was further strengthened in 2013/14 through European Regional Development Fund (ERDF) support to help start-up 30 new businesses and provide graduate interns for local businesses. Northumbria's commitment to its contribution to regional and community development and graduate employment was demonstrated by its match funding of the money received from ERDF, leading to its injection of £1.1m investment in the region for this project.

Northumbria supports Volunteer Northumbria, the Students' Union volunteering programme, financially and through offering of facilities and other resources for its extensive volunteering programme. During 2013/14 students volunteered more than 30,000 in community projects, were nominated for the NUS Community Relations of the Year Award, and the Students' Union won the National Council for Voluntary Services People and Partners Award, and a Digital Skills 'I Made a Difference' Award at the Stadium of Light in Sunderland, for a student-led project delivering weekly IT classes for teaching the elderly basic IT skills.

The University uses its excellence in clinical legal education for the development of its undergraduate students and the wider community through the work of its Student Law Office, which has received national recognition in 2013/14.

### Queen's Anniversary Prize: Student Law Office (SLO)

In November 2014, the University was awarded a prestigious Queen's Anniversary Prize for Higher and Further Education for the exceptional work of its Student Law Office. The prize is the highest form of national recognition open to a UK academic or vocational institution and was bestowed on Northumbria University for having: "A university law clinic making a distinctive contribution to the needs of the local community and to legal education". As well as developing students' professional legal skills, the Student Law Office works with leading charities and law firms to improve access to justice for the vulnerable and disadvantaged within society, and is a major contributor to voluntary legal services in the region. The SLO is a catalyst in the North East to encourage more law firms to become involved in pro bono work. In partnership with the national pro bono charity, LawWorks, it set up the Pro Bono Hub. Up to 200 Student Law Office students and staff contribute many thousands of hours of pro bono advice each year. Since 2005 they have represented more than 1,200 clients, securing over £1 million on their behalf in judgments and, more importantly, ensuring that clients understand their legal rights and are able to secure access to justice. The SLO also has close links with charities and community organisations. Through a partnership with Shelter, the homeless charity, students provide a national advice service to homeless and at risk clients, researching and advising on complex problems that Shelter's advisors are unable to resolve. Working with the Newcastle Citizens Advice Bureau has resulted in a new form of training and accreditation for law students enabling them to become Gateway advisors.

## The advancement of human rights

Northumbria's research includes practical and action-based interventions to advance an understanding of, or help solve, global human rights issues. Work during 2013/14 include research into Worker Rights in Fashion, where Northumbria academics have worked with the Centre for Policy Dialogues in Bangladesh and a Dutch-based consultancy to calculate a living wage for fashion workers. The research findings have been submitted to the Bangladeshi Minimum Wage Board.

Human Rights policy and law through its Transnational and Comparative Law and Policy is a key policy and research agenda for Northumbria. As well as its engagement in a number of research projects advancing an understanding of transnational contemporary issues in human rights and environmental law, human rights law features at undergraduate and postgraduate taught law curriculum. During 2013/14 students from the University's Human Rights Society took part in a delegation of more than 60 lawyers in Columbia from the UK, USA and European countries to learn more about the challenges faced by human rights lawyers.

## The advancement of amateur sport

The University began development of a Sports Strategy in 2013/14, through which its teaching and learning, research and innovation, student and staff wellbeing and community development activities for sport will be integrated. Within this framework, the University continues to provide 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 and recognise the role of sport in health and wellbeing, particularly for minority communities and socio-economic groups who may not have affordable access to sport and the physical and psychological benefits it brings to the community. Team Northumbria and the wider student, staff and local community benefit from Northumbria's £30m Sport Central facility at the University's Newcastle City Centre campus. Northumbria provides facilities and support for the Northumbria Sport Foundation, which is a registered charity as the 'friends and fundraising' arm of sport. The aim of the Foundation is to engage students and staff in fundraising events and reinvest these funds into Leadership Bursaries, Athlete Scholarships, Club Funds, Community Activity Grants and Competition Grants. A second funding strand is the provision of grants for the community, students and staff for projects which impact on the wider community. The impact of the Northumbria Sport Foundation during 2013/14 includes student impact, community impact and international impact.

Student impact is marked through investment in student athlete scholarships and grants to provide financial support for students to train, compete or officiate at the highest levels, commitment to disability sport and Leadership Bursaries for students to complete nationally recognised health, fitness and sport training and qualifications.

Community impact includes investment in sporting opportunities for the local community, through projects, grants and funding for clubs. Community groups worked with include; the Children's Society and Chernobyl Child Lifeline.

International impact includes eight years of involvement with the UK Sport International Wallace Group Zambia Project, 13 students and staff travelled to Zambia during 2013/14 using the power of sport to engage and inspire young people within local communities, and significant sums of money invested in the project.



northumbria  
UNIVERSITY NEWCASTLE

# Corporate Governance Statement and Statement on Internal Control

## Corporate Governance Statement

Northumbria University is a Higher Education Corporation (HEC), established by the Education Reform Act 1988, and amended by the Further and Higher Education Act 1992, from which Northumbria was granted 'university' title. The University's objects, powers and general governance framework are set out in its Instrument and Articles of Government, last amended in 2012 under the authority of the Privy Council. The three governance pillars in the Instrument and Articles are 1) the establishment and operation of the Board of Governors as the governing body of the University 2) an Academic Board and 3) the appointment and role of the Vice-Chancellor, who is the academic and executive head of the institution, and therefore holds the role of Vice-Chancellor and Chief Executive.

The Board of Governors is responsible for determining the mission and educational character of the University, the safeguarding of its assets and for ensuring operation of an effective system of accountability and internal control. Its specific duties are detailed in a revised *Statement of Primary Responsibilities* for the Board adopted in September 2011. This reflects and refines the Model Statement produced by the Committee of University Chairs (CUC). This is supplemented by a series of Board 'principles' agreed in November 2012, and re-affirmed in October 2014. The Board's primary role is:

- To contribute to the development, approval and review of the Vision 2025 and the Corporate Strategy 2013-18, long-term academic and business plans and ensure that these meet the interests of stakeholders.
- To be the institution's legal authority and ensure that systems are in place to comply with its legal obligations including contracts and other commitments entered into in the University's name, and commitments arising from HEFCE and wider regulation.
- To be the Trustee Board of the University as an exempt charity subject to HEFCE oversight as 'principal regulator', and ensure that the University complies with charity law and delivers a public benefit role.
- To appoint the Vice-Chancellor and Chief Executive, and determine 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 in consultation with Remuneration Committee.
- To delegate authority to the Vice-Chancellor and Chief Executive for the academic, corporate, financial, estate and human resource management of the University.

- To make provisions for the general welfare of students, principally through delegated authority of the Vice-Chancellor and Chief Executive and advice of Academic Board.
- 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 and value for money.
- 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.

HEFCE's *Financial Memorandum* with the University, and the CUC *Guide* require that the Board establishes Audit, Nominations and Remuneration Committees, reflecting corporate governance structures for public listed companies as set out in the UK *Corporate Governance Code* (2012). The University has also established an Employment and Finance Committee and a Strategic Performance Committee. More information is provided on the key Committees in subsequent paragraphs.

During 2013/14, the Board appointed two new Independent Governors to replace vacancies arising and strengthen its skills-base, and has also welcomed newly-elected staff and student governors to the Board. The collective and individual development of governors is a key Board consideration. All new governors receive a tailored induction programme and are encouraged to take part in relevant training and development with the financial and wider support of the University. Governors have attended events, including those run by the Leadership Foundation for Higher Education (LFHE) through its Governor Development Programme (with the Chair also being an invited speaker at sessions), HEFCE and CUC national and regional events. External development for governors is complemented by delivery of a programme of both structured and less formal development activities within the University, including four Faculty-Governor Engagement Sessions, a Governor-Executive strategy retreat in October 2013, invitations to a range of seminars on strategic activities, including those featuring national speakers from the sector attending the University, including Professor Madeline Atkins, CBE and Mary Curnock-Cook, as respective Chief Executives of HEFCE as UCAS. Robust mechanisms are in place for the collective evaluation of its performance, including an online annual effectiveness review and a self-assessment and personal annual review with each member of the Board and the Chair, supported by the Senior Independent Governor.

In 2013/14 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 2013/14 in accordance with HEFCE's Account Directions 2013/14. A summary of the role of key Board committees and their contribution to the corporate governance of the Northumbria during 2013/14 is provided below:

**Audit Committee** is pivotal to the corporate governance of the University, providing assurance to the Board on the adequacy of the University's risk management, value for money, and data quality and assurance arrangements. The Committee also assesses compliance with University policies and procedures and wider legal and regulatory compliance, including the reporting of significant incidents and fraud and public interest disclosures. 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 which, in turn helps inform the Statement of Internal Control.

**Employment and Finance Committee** advises the University Executive and monitors employment strategy and policy, finance strategy, estates, IT and other capital activities and projects to support the Corporate Strategy 2013-18. In 2013/14, the Committee has played a key role in testing the business, investment and contractual case for major Corporate Strategy projects.

**Strategic Performance Committee** has played a key role in supporting the University Executive in monitoring performance in the first full year of Corporate Strategy 2013-18. In addition, the Committee has worked with the University Executive to review the strategic plans beneath the Corporate Strategy, and has monitored the University's performance in key external measures, including the National Student Survey (NSS), League Tables and major data returns, including the Destination of Leavers of Higher Education (DLHE).

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

**Remuneration Committee** oversees the remuneration policy, base pay and performance incentive scheme decisions and severance payments as these apply to senior staff of the University. The Committee is chaired by the Board's Senior Independent Governor (a role distinct from the Chair or Deputy Chair) and comprises Independent

Governors, an individual external to the Board or the University, co-opted to provide specialist advice on remuneration policy, and the Vice-Chancellor and Chief Executive, who is absent from discussions and decisions relating to his/her own salary.

**Nominations Committee** oversees the appointment, renewal, rotation and resignation of member of the Board and its Committees. Its remit also includes reviewing the wider skills-set of Board, and governor performance, development and training needs. The Committee comprises Independent Governors, which includes the Chair of the Board, the Chairs of its Committees including the Vice-Chancellor and Chief Executive, and a senior staff member who is an Executive Dean.

## 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, as delegated to him/her by the Board of Governors. Under the terms of the *Financial Memorandum between the University and HEFCE (the 'Memorandum of assurance and accountability between HEFCE and institutions'* from 01 August 2014), the Vice-Chancellor and Chief Executive is the 'Accountable Officer' with responsibility to HEFCE for the effective management of the University.

Supporting and advising the Vice-Chancellor and Chief Executive is the University Executive, which met on a fortnightly basis in 2013/14, and has collective responsibility for delivery of the Corporate Strategy 2013-18. The advisory role of the University Executive to the Vice-Chancellor and Chief Executive supports:

- the development, revision and realisation of Vision 2025 and Corporate Strategy 2013-18, and subsidiary strategies and plans;
- the strategic management of the University's academic, financial, human and physical resources;
- 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 Professional Services.

The University Executive provides a focal point for co-ordination and integration of the breadth of the University's activities. Its role is discharged through University Executive members' individual portfolios of responsibility and collectively through the decisions made or endorsed by the University Executive.

## 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 Instrument and Articles of Government, HEFCE's Account Directions for 2013/14, the Statement of Recommended Practice – *Accounting in Further and Higher Education* (2007) and other relevant accounting and financial reporting standards. The specific terms and conditions of the *Financial Memorandum* require the University 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.

The Financial Statements for 2013/14 which have been prepared for the Board, have been reviewed by Employment and Finance Committee, Audit Committee and, informed by the opinion of the external auditors, confirm 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.
- the financial statements have been prepared on a 'going concern' basis, reflecting the HEFCE Accounts Directions for 2013/14.

The Board has taken reasonable steps to ensure:

- 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.
- reasonable discretion is exercised in the use of public funds and account taken of any relevant guidance on accountability, sustainability or propriety.
- the establishment and monitoring of systems of control and accountability, including financial and operational controls, with ultimate responsibility for the effective and efficient use of resources.
- safeguarding of the assets of the University and establishment of systems for prevention and detection of fraud, bribery and wider corruption.
- that the University is delivering Value for Money (VfM) value in its use of public funds.

### Statement on Internal Control

1. The Statement on Internal Control (SIC) has been produced in line with HEFCE's Accounts Directions for 2013/14 and wider good practice including the National Audit Office's (NAO) *A good practice guide to the Statement on Internal Control*. The development of the Statement has been informed by on-going update 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 2013/14, to capture a much broader spectrum of activities and associated controls and assurance sources than the previous version.
2. The Board of Governors ensures that the University maintains a sound system of internal control and receives its assurance through the opinions of Audit Committee and at executive management level through the Vice-Chancellor and Chief Executive as Accountable Officer, and other senior staff including the Chief Operating Officer and Head of Governance.
3. The University's system of internal control is designed to be 'protective' in helping manage and mitigate the risks of loss, misuse or misappropriation of public, private and other funds and assets for which the Board is responsible, and engender the confidence of internal and external stakeholders in the University's systems of self-regulation. The internal control system is also 'proactive' in setting parameters and procedures to inform evidence-based judgments and decisions to be made on, as well as monitoring of, key projects and initiatives which supporting the Corporate Strategy 2013-18. Central to the system of internal control is that it is designed to manage and mitigate risks to the University. However, in line with Turnbull guidance, any progressive organisation recognises that risks cannot be wholly eliminated and that setting risk appetite and tolerances rests ultimately with the Board of Governors. See paragraphs 6 and 7 below.
4. The University's system of internal control centres on the following pillars: a robust deliberative and decision-making structure and through the Board of Governors and the wider corporate governance committee system, and a Risk and Assurance Framework which consolidates and integrates the University's wider control arrangements.
5. The University's committee-based governance system is led by the Board of Governors which demonstrates its responsibility for ensuring a sound system of internal control in the following ways:
  - i. its continued ownership of a Scheme of Delegation which clarifies delegated authorities for key decisions of its Committees, University Executive and other staff;
  - ii. 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. During the year the Board of Governors considered the full Corporate Risk Register, including approval of adjustments to the description, status and rating of risk items;
- iii. its review and approval of the accountability returns submitted to HEFCE, including ensuring that robust scrutiny of these returns is delegated for review by Audit Committee and Employment and Finance Committee, the latter of which has held dedicated meetings and workshops sessions to assess the budget and forecasts control framework for the University;
  - iv. consideration of regular updates on the wider internal control framework during 2013/14 through the Audit Committee Annual Report, and wider business, operational and compliance controls through the minutes and reports of Audit Committee; legal compliance reports including a Health and Safety Report at each meeting and annual Health and Safety Equality and Diversity reports.
6. In 2013/14 the University extended its Risk Management Framework to create a combined Risk and Assurance Framework which accommodates and articulates a broader set of assurance arrangements and activities than can be relied on through a singular risk policy. This was approved by the Audit Committee at its meeting on 03 February 2014.
  7. Nonetheless, a central pillar of the Risk and Assurance Framework is the Risk Management arrangements in place, which seek to balance the effective identification, management, mitigation, with the managed toleration of risk to support the Corporate Strategy 2013-18. Through ownership of the Risk Management framework, the Board enforces the operation of an embedded robust reporting framework and clear risk responsibilities which involve:
    - i. the operation of a Corporate Risk Register, Strategic Risks with cascading of risks through Faculty and Service Risk Registers and specific risk registers produced for strategic and operational projects;
    - ii. the requirement to identify Corporate and subsidiary risks relevant to all business items considered by the Board, its Committees and the University Executive;
    - iii. consideration of the Corporate Risk Dashboard on the agenda of every meeting of the University's Audit, Employment and Finance and Strategic Performance Committees, to evaluate whether the status of corporate risks have been impacted by committee discussions and decisions. This process demonstrates that risk management is a dynamic and live activity, which has led to the approval of adjustments to corporate risks by the Board;
    - iv. Audit Committee responsibility for seeking assurance on the adequacy and effectiveness of the University's risk management arrangements from the internal auditors, and providing an opinion on this;
    - v. ensuring that ultimate executive management responsibility for risk rests with the Vice-Chancellor and Chief Executive, who allocates University Executive risk owners for each Corporate Risk and who in turn delegate Faculty and Service level risks as appropriate within their areas of line management;
    - vi. the Vice-Chancellor and Chief Executive's assignment of management co-ordination and oversight of the Corporate Risk Register and Risk Management Framework to the Head of Governance/Secretary to the Board of Governors, who is supported by a Risk Manager with a University-wide risk advisory and facilitation role;
    - vii. formulation of the annual internal audit programme with reference to the Corporate Risk Register. Specifically, an audit of Faculty risk management systems was undertaken in 2013/14, which concluded that the University's processes were effective as well as identifying a limited number of areas for improvement which have been discussed at Audit Committee level with a plan for executive management delivery;
    - viii. continued work in 2013/14 to embed risk assessment in project management processes as overseen by the Project Board.
  8. The Business Assurance Map has continued to be developed in 2013/14. In a single document, the Map plots the key internal controls and internal/external assurances, and 'RAG' assurance rating for each of the University's key corporate systems and core processes. The Map has been reviewed at two intervals in 2013/14, and has been subject to full engagement of the University Executive and system and process owners, and was considered by the Audit Committee at its November 2013 and April 2014 meetings. The Map is a tool which has helped inform the Corporate Risk Register, Faculty and Service Registers and the internal audit programme.
  9. The University continues to embed its Data Assurance and Data Quality framework in providing judgments on the completeness and accuracy of data submitted to a range of external bodies, including HEFCE and HESA. In turn, work has been undertaken to further develop and demonstrate the University's arrangements for VfM. Annual and interim reports in both these areas have been reported to the Audit Committee, which provides an annual opinion on the effectiveness and adequacy of arrangements in place in these areas, as part of the wider system of internal control.
  10. Development and delivery of the Risk and Assurance Framework upholds and demonstrates the University's wider culture of continuous improvement as a strategic outcome in the Corporate Strategy 2013-18. The Board has continued to set the tone for, and

leadership of, continuous improvement in systems of control through ensuring ongoing reporting and disclosure, alongside its proactive approach to commissioning lessons learned activities to be undertaken by the University Executive for key projects and processes where controls could be further strengthened. We recognise that regular communication, engagement and training activities for staff on all aspects of corporate governance policy and internal control is an ongoing challenge for any large and complex organisation like the University. The development of a user-friendly Risk and Assurance Framework is key to responding to this challenge. See paragraph 6. In turn, delivery of fraud risk assessment and awareness-raising sessions to staff across the University in 2013/14, and the proposed launch in November 2014 of online training on anti-bribery and anti-corruption are examples of the specialist and targeted training in place.

**Chris Sayers**

Chair of the Board of Governors  
24 November 2014

11. 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 2013/14 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.

**Professor Andrew Wathey**

Vice-Chancellor and Chief Executive  
24 November 2014

# Register of Governors and Professional Advisors

## Chancellor

The Lord Stevens of Kirkwhelpington

## Board of Governors

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

<b>Ms Alison Alden</b>	(Independent Governor)
<b>Mr Craig Apsey</b>	(Independent Governor)
<b>Mrs Lesley Bessant</b>	(Pro-Chancellor Deputy Chair of the Board of Governors and Chair, Strategic Performance Committee) <sup>1</sup>
<b>Mr Ian Brown</b>	(Independent Governor)
<b>Mrs Lorraine Brown</b>	(Professional Support Staff Elected Representative)
<b>Mr David Clipsham</b>	(Senior Independent Governor and Chair, Remuneration Committee)
<b>Mr Alasdair Corfield</b>	(Independent Governor and Chair, Audit Committee)
<b>Ms Natalie-Dawn Hodgson</b>	(President, Students' Union and Students' Union Representative)
<b>Dr Graham Hillier</b>	(Independent Governor and Chair, Employment and Finance Committee)
<b>Mr Derek Johnson</b>	(Academic Staff Elected Representative)
<b>Dr Alison Machin</b>	(Academic Board, Academic Staff Nominee)
<b>Ms Nicole Pegg</b>	(Students' Union Representative)
<b>Mr David Price</b>	(Independent Governor)
<b>Ms Amy Rice-Thomson</b>	(Independent Governor) <sup>2</sup>
<b>Mr Chris Sayers</b>	(Pro-Chancellor, Chair of the Board of Governors)
<b>Mr Adam Serfontein</b>	(Pro-Chancellor and Independent Governor)
<b>Ms Christine Sorensen</b>	(Academic Board, Academic Staff Nominee) <sup>3</sup>
<b>Miss Claire Templeton</b>	(Independent Governor) <sup>4</sup>
<b>Professor Andrew Wathey</b>	(Vice-Chancellor and Chief Executive)
<b>Mr Andrew Wilson</b>	(Independent Governor) <sup>5</sup>
<b>Dr Jeya Wilson</b>	(Independent Governor) <sup>6</sup>

## Secretary to the Board of Governors

**Mr Adam Dawkins**

## Audit Committee Members

<b>Mr Alasdair Corfield</b>	(Independent Governor and Chair, Audit Committee)
<b>Mrs Lesley Bessant</b>	(Pro-Chancellor, Deputy Chair of the Board of Governors and Chair Strategic Performance Committee) <sup>7</sup>
<b>Mr Ian Brown</b>	(Independent Governor)
<b>Mr David Price</b>	(Independent Governor)
<b>Mr David Jennings</b>	(Co-opted External 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 webpages of the University's website, or by contacting the Office at the address below:

## Secretary to the Board of Governors

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

<sup>1</sup> Resigned 22 July 2014.

<sup>2</sup> Appointed 18 June 2014.

<sup>3</sup> Appointed 21 February 2014.

<sup>4</sup> Initial period of Leave of Absence 12 March 2014 to 12 September 2014.

<sup>5</sup> Resigned 08 July 2014.

<sup>6</sup> Appointed 18 June 2014.

<sup>7</sup> Resigned from the committee 30 September 2013.

**Five Year Summary of Key Statistics**

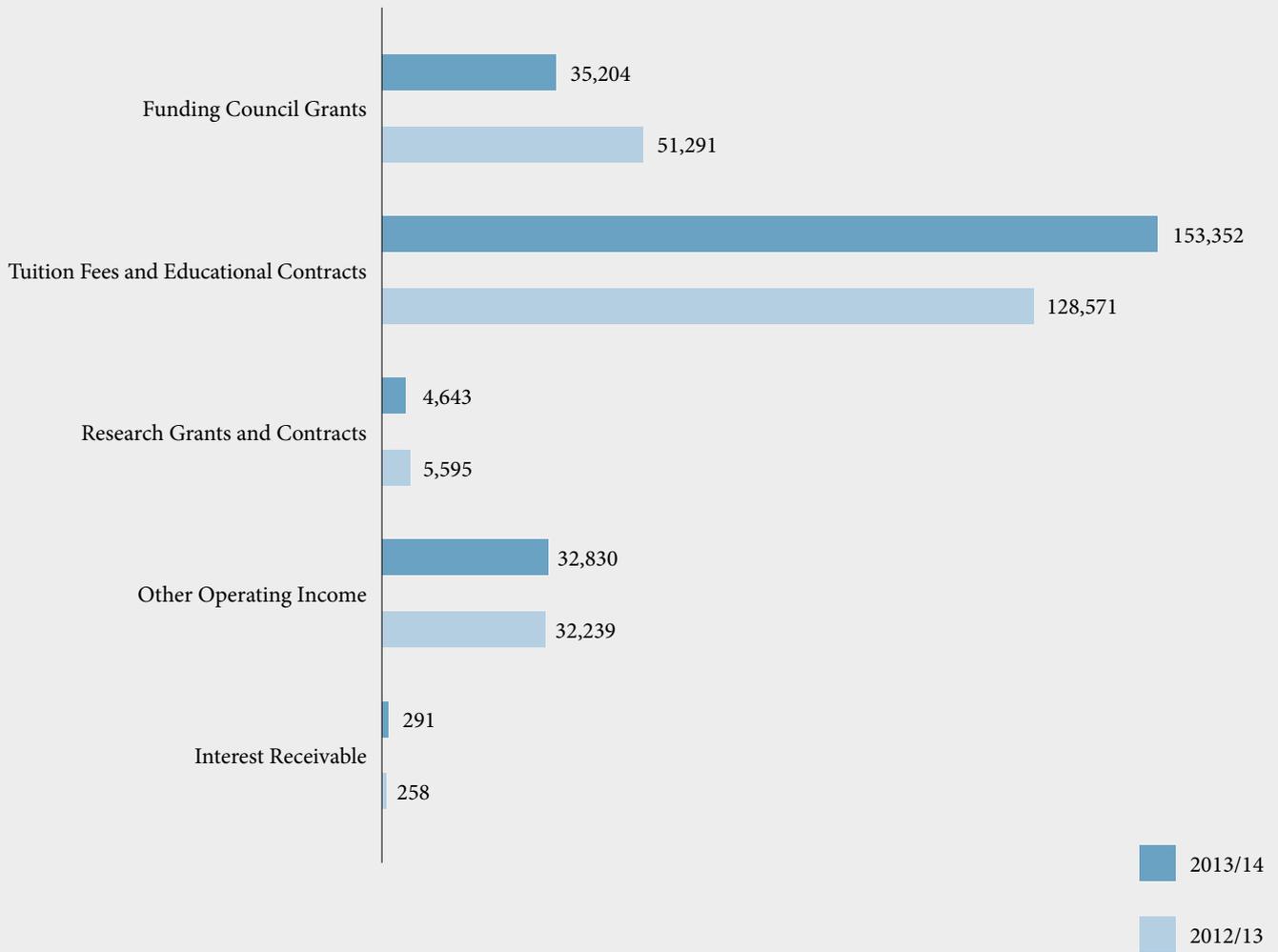
	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000
Funding Council Grants	35,204	51,291	69,902	70,220	78,819
Tuition Fees and Educational Contracts	153,352	128,571	110,120	109,049	104,164
Research Grants and Contracts	4,643	5,595	4,685	4,400	4,262
Other Operating Income	32,830	32,239	29,758	29,123	30,110
Interest Receivable	291	258	138	128	82
<b>TOTAL INCOME</b>	<b>226,320</b>	<b>217,954</b>	<b>214,603</b>	<b>212,920</b>	<b>217,437</b>
<b>TOTAL EXPENDITURE</b>	<b>221,532</b>	<b>213,986</b>	<b>208,195</b>	<b>200,077</b>	<b>205,779</b>
<b>SURPLUS BEFORE DISPOSAL OF FIXED ASSETS</b>	<b>4,788</b>	<b>3,968</b>	<b>6,408</b>	<b>12,843</b>	<b>11,658</b>
<b>GAINS ON DISPOSAL OF FIXED ASSETS</b>	-	-	-	40	-
<b>SURPLUS ON CONTINUING OPERATIONS</b>	<b>4,788</b>	<b>3,968</b>	<b>6,408</b>	<b>12,883</b>	<b>11,658</b>
<b>HISTORIC COST ADJUSTMENT</b>	<b>2,523</b>	<b>1,865</b>	<b>1,865</b>	<b>1,865</b>	<b>2,396</b>
<b>HISTORICAL COST SURPLUS FOR YEAR</b>	<b>7,311</b>	<b>5,833</b>	<b>8,273</b>	<b>14,748</b>	<b>14,054</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>21,682</b>	<b>27,165</b>	<b>20,141</b>	<b>22,760</b>	<b>36,701</b>
<b>INCREASE IN CASH IN THE YEAR</b>	<b>21,995</b>	<b>10,520</b>	<b>7,227</b>	<b>2,933</b>	<b>3,579</b>
Fixed Assets	329,447	332,635	310,010	312,524	295,530
Net Current Assets/(Liabilities)	12,084	(3,010)	(13,719)	(23,694)	(27,707)
Creditors due after more than 1 year	(72,524)	(66,255)	(67,021)	(67,787)	(58,057)
Provisions	(7,090)	(4,363)	(5,181)	(3,619)	(3,692)
<b>NET ASSETS BEFORE PENSION LIABILITY</b>	<b>261,917</b>	<b>259,007</b>	<b>224,089</b>	<b>217,424</b>	<b>206,074</b>
<b>PENSION LIABILITY</b>	<b>(81,410)</b>	<b>(98,717)</b>	<b>(98,596)</b>	<b>(74,275)</b>	<b>(67,349)</b>
<b>NET ASSETS AFTER PENSION LIABILITY</b>	<b>180,507</b>	<b>160,290</b>	<b>125,493</b>	<b>143,149</b>	<b>138,725</b>

**Financial Highlights**

The University's financial performance for 2013/14 can be summarised as follows:

- Total income of £226.3m
- Historical cost surplus of £7.3m
- £21.7m cash generated from operating activities
- £22.0m increase in cash during the year
- £12.2m investment in capital expenditure
- Net assets of £180.5m

## Consolidated Income £'000s



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.

The consolidated results of the University are summarised below:

<b>Results for year</b>	<b>£m</b> <b>2013/14</b>	<b>£m</b> <b>2012/13</b>
Income	<b>226.3</b>	217.9
Expenditure	<b>(221.5)</b>	(214.0)
Surplus on Continuing Operations	<b>4.8</b>	3.9
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	<b>2.5</b>	1.9
Historical Cost Surplus for the Year	<b>7.3</b>	5.8
<i>Surplus Percentage</i>	<b>3.2%</b>	2.7%

### Income

**Total income in the year was £226.3m representing an increase of 3.9% over the previous year. The main movements year on year are:**

- Funding Council Grants decreased in total by £16.1m to £35.2m. This was largely due to the on-going savings in the HEFCE recurrent grant funding of £13.3m.
- Tuition fee income and education contracts rose by £24.8m to £153.4m. This was predominantly down to Full-Time Home and EU students increasing by £24.6m to £97.2m, largely reflecting the new fee regime introduced in 2012/13.

### Expenditure

**Total expenditure was £221.5m, an increase of £7.5m in the year.**

- Staff costs were £134.2m, an increase year on year of £1.2m or 0.9%. This cost represents 59.3% of Total Income and 60.6% of Total Expenditure.
- Other Operating Expenses increased in the year by £11.7m to £70.6m. The major increases in the year were; £6.2m on Scholarships and Bursaries; £1.9m on Repairs and Maintenance, due in part to a dilapidations provision; additional Marketing & Publicity spend of £0.9m; increase in the Student Union Grant of £0.9m.

### Surplus

The net outcome was a historical cost surplus for the year of £7.3m, representing 3.2% of income.

## Balance Sheet

The net assets of the University group increased during the year by £20.2m, to stand at £180.5m. The main areas of change were:

- Increase of £22.0m in Cash at Bank and in hand.
- Increase in Creditors due after one year of £6.3m largely as a result of an additional draw down on the Revolving Credit Facility of £9.9m.
- Reduction in the FRS 17 Pension Liability of £17.3m. The return for 2013/14 saw liability reductions arising from changes to assumptions in respect of future salary and pension increases and asset gains arising from the 2013 fund valuation.

## Capital Programme

During the year, £12.2m was invested in the University's facilities and infrastructure. This comprised; £6.5m on refurbishing the estate; £3.5m on IT equipment and systems; £2.2m on Faculty Teaching and Research equipment.

## Cash Flow

During the year, £21.7m was generated from operating activities. £5.0m cash came back from short term deposit and £9.9m was drawn down from the Revolving Credit Facility resulting in an increase in the Cash & Bank balance of £22.0m in the year.

## Going Concern

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

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

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

## Treasury Management

- At the year end the University drew down £9.9m from the £96.0m Revolving Credit Facility.
- The Revolving Credit Facility ended on 31 July 2014. In September 2014 the University signed a new £91.0m loan agreement with Barclays which saw the conversion of all outstanding RCF drawdowns and the existing term loan into a new single term loan of £76.0m and the creation of a new 5 year, £15.0m Revolving Credit Facility.
- The new fees regime has fundamentally delayed the timing of cash receipts into all Universities. The main impact of this is experienced in the month of February. The University has arranged a £15m Revolving Credit Facility, available from August 2014 for a period of 5 years. This will help minimise the impact of the shift in income profiling.

# 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 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Statement of Consolidated Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Responsibilities of the Board of Governors statement set out on page 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 financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2014 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

24 November 2014

## 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.

At the year end the University had £76.1m of loans outstanding with lenders, virtually all being secured by a fixed charge on University property assets. The Revolving Credit Facility (RCF) with Barclays Bank plc of £96.0m ended on 31 July 2014. A new £91.0m facility was agreed on 12 September 2014. This comprises of a 23 year term loan of £76.0m and a 5 year, £15.0m RCF which is for working capital purposes only. Any amounts outstanding at the end of the RCF 5 year term must be repaid in full as there is no option to convert to a term loan.

The University generates significant levels of cash from its operating activities, with £21.7m being generated in 2013/14. 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 2014. Details of University's subsidiary undertakings are provided in Note 14 to the financial statements. In accordance with FRS 2 'Subsidiary Undertakings', the financial statements do not include those of the Northumbria Students' Union, as it is a separate organisation in which the University has no financial interest and exerts no control or significant influence over policy decisions.

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

### e. Recognition of Income

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

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

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

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

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

### f. Post-Retirement Benefits

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

All schemes are defined benefit schemes, but the TPS and USS are both 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 independent, external revaluation every five years with interim valuations by year three. The last full valuation was applied as at 31 July 2013.

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

### iii) Depreciation

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

- Freehold Buildings - not more than 50 years;

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

### iv) Capital Grants

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

### v) Investment Properties

In accordance with Statement of Standard Accounting Practice No 19:

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

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

## i. Impairment of Tangible Fixed Assets

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

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

### i) Calculation of recoverable amount

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

amount is determined for the income-generating unit to which the asset belongs.

### ii) Reversals of impairment

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

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

## j. Leases and Hire Purchase Contracts

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

## k. Stocks

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

## l. Provisions

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

## m. Liquid Resources and Cash

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

## n. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at the rates at the date of the Balance Sheet or, where there are

related forward exchange contracts, at contract rates. The resulting exchange differences are dealt with in the Income and Expenditure Account for the financial year.

## o. Investments

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

## p. Heritage Assets

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

## q. Taxation

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

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

## r. Endowment Funds

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

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

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

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

## Consolidated Income and Expenditure Account for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>INCOME</b>			
Funding Council Grants	1	35,204	51,291
Tuition Fees and Education Contracts	2	153,352	128,571
Research Grants and Contracts	3	4,643	5,595
Other Operating Income	4	32,830	32,239
Interest Receivable	5	291	258
<b>Total Income</b>		<b>226,320</b>	<b>217,954</b>
<b>EXPENDITURE</b>			
Staff Costs	6	134,206	133,044
Other Operating Expenses	8	70,551	58,862
Interest and Finance Costs	9	3,905	4,551
Depreciation	13	12,870	13,716
Impairment of Tangible Fixed Assets	13	-	3,813
<b>Total Expenditure</b>		<b>221,532</b>	<b>213,986</b>
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Impairments of Fixed Assets but before Tax		4,788	3,968
Taxation	11	-	-
Surplus on Continuing Operations after Depreciation of Assets at Valuation an Impairment of Fixed Assets and Tax	12	4,788	3,968

All items of income and expenditure arise from continuing operations.

In 2013 the impairment of tangible fixed assets of £3.8m together with a matching grant release of £1.0m were disclosed as exceptional items.

### Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31 July 2014

	2014 £'000	2013 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Impairments of Fixed Assets and Tax	4,788	3,968
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	2,523	1,865
Historical Cost Surplus for the Year	<b>7,311</b>	<b>5,833</b>

## Statement of Consolidated Total Recognised Gains and Losses for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposals and Impairments of Fixed Assets and Tax		4,788	3,968
Actuarial Gain in Respect of Defined Benefit Pension Scheme	26	18,530	1,730
Actuarial Loss in Respect of Enhanced Pension Provision	19	(60)	(50)
Unrealised Gains on Property Revaluation		-	33,111
Unrealised Losses on Property Impairment		(2,486)	(2,452)
<b>Total Recognised Gains and Losses for the Year</b>		<b>20,772</b>	<b>36,307</b>

## Consolidated reconciliation of movements in reserves for the year ended 31 July 2014

Opening Reserves		135,948	99,641
Total Recognised Gains/(Losses) for the Year		20,772	36,307
Closing Reserves	21	156,720	135,948

## Balance Sheets at 31 July 2014

	Note	CONSOLIDATED		UNIVERSITY	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>FIXED ASSETS</b>					
Tangible Fixed Assets	13	329,447	332,635	329,447	332,635
<b>CURRENT ASSETS</b>					
Stocks		148	108	148	108
Debtors	15	9,047	7,612	9,184	7,755
Short Term Investments	16	-	5,000	-	5,000
Cash at Bank and in Hand		56,263	34,268	56,262	34,245
		65,458	46,988	65,594	47,108
<b>Creditors – Amounts Falling Due Within One Year</b>	17	(53,374)	(49,998)	(53,356)	(49,959)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>12,084</b>	<b>(3,010)</b>	<b>12,238</b>	<b>(2,851)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>341,531</b>	<b>329,625</b>	<b>341,685</b>	<b>329,784</b>
<b>Creditors – Amounts Falling Due After More Than One Year</b>	18	(72,524)	(66,255)	(72,524)	(66,255)
Provisions for Liabilities and Charges	19	(7,090)	(4,363)	(7,090)	(4,363)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<b>261,917</b>	<b>259,007</b>	<b>262,071</b>	<b>259,166</b>
Pension Liability	26	(81,410)	(98,717)	(81,410)	(98,717)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>180,507</b>	<b>160,290</b>	<b>180,661</b>	<b>160,449</b>
<b>REPRESENTED BY:</b>					
Deferred Capital Grants	20	23,787	24,342	23,787	24,342
<b>RESERVES</b>					
Revaluation Reserve	21	102,291	107,300	102,291	107,300
Revenue Reserve Excluding Pension Reserve	21	135,839	127,365	135,993	127,524
Pension Reserve	21	(81,410)	(98,717)	(81,410)	(98,717)
Revenue Reserve Including Pension Reserve		54,429	28,648	54,583	28,807
<b>TOTAL RESERVES</b>	21	<b>156,720</b>	<b>135,948</b>	<b>156,874</b>	<b>136,107</b>
<b>TOTAL</b>		<b>180,507</b>	<b>160,290</b>	<b>180,661</b>	<b>160,449</b>

The Financial Statements on pages 38 to 68 were approved by Governors on 24 November 2014 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 2014**

	Note	2014 £'000	2013 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	23	<b>21,682</b>	27,165
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Income from Short Term Investments		291	258
Interest Paid (excluding on Pension Scheme Liabilities)		(3,291)	(3,068)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(3,000)	(2,810)
<b>TAXATION</b>		-	-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to Acquire Tangible Fixed Assets		(12,168)	(9,495)
Deferred Capital Grants Received		1,166	1,290
Net Cash Outflow from Capital Expenditure and Financial Investment		(11,002)	(8,205)
<b>FINANCING</b>			
New Secured Long Term Loans		9,945	-
Repayment of Secured Long Term Loans		(478)	(478)
Repayment of Unsecured Loans		(152)	(152)
Net Cash Inflow/(Outflow) from Financing		9,315	(630)
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
<b>Cash Withdrawn From/(Placed On) Deposit</b>		<b>5,000</b>	(5,000)
Net Cash Inflow/(Outflow) from Management of Liquid Resources		5,000	(5,000)
<b>INCREASE IN CASH IN THE YEAR</b>		<b>21,995</b>	10,520
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT</b>			
Increase in Cash in the Year		21,995	10,520
(Decrease)/Increase in Short Term Deposits		(5,000)	5,000
(Increase)/Decrease in Debt in the Year		(9,315)	630
Decrease in Net Debt in the Year	24	7,680	16,150
Net Debt as at 1 August	24	(27,493)	(43,643)
Net Debt as at 31 July	24	(19,813)	(27,493)

# Notes to the Financial Statements

	CONSOLIDATED	
	2014 £'000	2013 £'000
<b>1 FUNDING COUNCIL GRANTS</b>		
Recurrent Grant Received from HEFCE	30,317	43,591
Specific Grants	2,604	3,161
National College for Teaching and Learning	1,068	1,910
Releases from Deferred Capital Grants:		
Buildings (Note 20)	594	2,071
Equipment (Note 20)	621	558
	<b>35,204</b>	<b>51,291</b>
<b>2 TUITION FEES AND EDUCATION CONTRACTS</b>		
Full-Time Home and EU Students	97,155	72,597
Part-Time Home and EU Students	4,437	5,300
Overseas Fees	27,162	26,556
Short Courses	2,529	2,343
Nursing Education Contract	21,588	21,228
Other Fees	481	547
	<b>153,352</b>	<b>128,571</b>
<b>3 RESEARCH GRANTS AND CONTRACTS</b>		
Research Councils	1,396	1,557
UK Based Charities	417	239
European Commission	1,022	851
Other Grants and Contracts	1,808	2,948
	<b>4,643</b>	<b>5,595</b>
<p>The University acts as the lead partner in a number of research grants and contracts. The gross income value of these grants and contracts was £5,041k (2013: £5,595k). In accordance with FRS 5 'Reporting the Substance of Transactions', the University has only recognised income and costs to the extent that the University acts as the principal in the contracts. Total research grants and contracts income (including that receivable from the Funding Council in Note 1 above) amounted to £7,716k (2013: £8,441k).</p>		
<b>4 OTHER INCOME</b>		
Accommodation and Catering	15,319	15,367
Collaborative Ventures	5,336	4,940
Other Academic Income	2,782	1,916
Rent and Rates	1,453	544
Sports Centre membership	1,305	1,356
IT Helpline income	1,134	905
All other income	5,309	6,933
Releases from Deferred Capital Grants (non Funding Council):		
Buildings (Note 20)	66	84
Equipment (Note 20)	126	194
	<b>32,830</b>	<b>32,239</b>

	CONSOLIDATED	
	2014 £'000	2013 £'000
<b>5 INTEREST RECEIVABLE</b>		
Income from Short Term Investments	291	258
<b>6 STAFF COSTS</b>		
Salaries and Wages	108,962	107,987
Social Security Costs	9,226	8,701
Other Pension Costs (Note 26)	16,018	16,356
	<b>134,206</b>	<b>133,044</b>
<b>Emoluments of the Vice-Chancellor</b>		
Remuneration	259	256
Benefits	3	3
Pension Contributions to USS	38	37
	<b>300</b>	<b>296</b>

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	
	2014 Staff FTE	2013 Staff FTE
<b>Remuneration of other Higher Paid Staff (Excluding Employers' NI and Superannuation)</b>		
£100,000 – £109,999	4	8
£110,000 – £119,999	7	10
£120,000 – £129,999	9	5
£130,000 – £139,999	3	3
£140,000 – £149,999	1	1
£150,000 – £159,999	1	-
£190,000 – £199,999	-	1
£200,000 – £209,999	1	-

Included within the higher paid staff numbers for the current year are 9 (2013: 11) members of staff where severance payments totalling £579,823 was incurred (2013: £712,611), resulting in their total remuneration exceeding the minimum threshold for higher paid staff.

**CONSOLIDATED**

	<b>2014 Staff FTE</b>	2013 Staff FTE
<b>Average Staff Numbers (expressed as full-time equivalents (FTE))</b>		
Academic	<b>1,314</b>	1,291
Academic Support	<b>237</b>	344
Student Support	<b>220</b>	226
Estates and Accommodation	<b>468</b>	516
Administration and Central Services	<b>499</b>	435
	<b>2,738</b>	2,812

## 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**

	<b>2014 £'000</b>	2013 £'000
<b>Emoluments of the Chair of the Board of Governors</b>		
Remuneration	<b>20</b>	20

### Reimbursement of Governor expenses

All Governors are entitled to reimbursement of expenses incurred directly in attending meetings or other direct Board and Committee-related events, provided that the claim is in accordance with the Financial Regulations, including the production of relevant receipts. In 2014, 8 Governors claimed a total of £4,648 in expenses (2013: five Governors claimed a total of £2,640).

	CONSOLIDATED	
	2014 £'000	2013 £'000
<b>8 OTHER OPERATING EXPENSES</b>		
Accommodation and Catering	1,995	1,979
External Auditors' Remuneration:		
University External Audit	58	53
Subsidiaries External Audit	12	12
Other Services from External Audit	58	123
Internal Audit Services	92	138
Books and Periodicals	3,365	3,543
IT Supplies and Other Equipment	5,726	5,473
Marketing and Publicity	3,352	2,455
Printing, Postage and Stationery	1,476	1,705
Professional Services	6,988	6,413
Recruitment and Relocation	370	303
Rent, Rates and Utilities	10,227	9,553
Repairs and Maintenance	5,884	3,983
Scholarships and Mandatory Bursaries	13,616	7,443
Student Recruitment Costs	5,064	5,231
Telephone	570	435
Travel and Subsistence	5,275	5,439
Other Expenses:		
Bank Charges	188	181
Student Placement Fees	759	885
Student Union Grant	1,870	980
Subscriptions	1,148	914
Others	2,458	1,621
	<b>70,551</b>	<b>58,862</b>
Operating Lease Expenses included in the above are:		
Property Rentals	3,096	2,567
Equipment Hire	123	211
Vehicle Hire	14	11
	<b>3,233</b>	<b>2,789</b>
<b>9 INTEREST AND FINANCE COSTS</b>		
On Bank Loans	3,291	3,068
On Defined Benefit Pension Scheme (Note 26)	460	1,340
On Enhanced Pension Scheme (Note 19)	154	143
	<b>3,905</b>	<b>4,551</b>

	Staff Costs 2014 £'000	Other Operating Expenses 2014 £'000	Interest Payable 2014 £'000	Total 2014 £'000	Total 2013 £'000
<b>10 ANALYSIS OF EXPENDITURE BY ACTIVITY</b>					
Academic Schools	81,906	10,379	-	92,285	94,746
Academic Services	13,007	8,974	-	21,981	22,124
Administration	27,062	32,085	-	59,147	45,588
Premises	5,623	12,161	3,291	21,075	19,427
Residences, Catering and Conferences	3,442	5,978	-	9,420	9,171
Research Grants and Contracts	2,674	974	-	3,648	3,679
Other Expenses	492	-	614	1,106	1,722
	<b>134,206</b>	<b>70,551</b>	<b>3,905</b>	<b>208,662</b>	<b>196,457</b>
Depreciation				12,870	13,716
Impairment				-	3,813
				<b>221,532</b>	<b>213,986</b>

## 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:

	2014 £'000	2013 £'000
University's Surplus for the Year	4,783	4,129
Surplus/(Deficit) Generated by the Subsidiary Undertakings	5	(161)
	<b>4,788</b>	<b>3,968</b>

## CONSOLIDATED and UNIVERSITY

	Freehold Land and Buildings £'000	Long Leasehold Buildings £'000	Short Leasehold Improvements £'000	Equipment £'000	Assets Under Construction £'000	Total £'000
<b>13 TANGIBLE FIXED ASSETS</b>						
Valuation/Cost at 1 August 2013	320,316	1,363	3,074	52,172	2,245	379,170
Additions at Cost	152	-	3	3,925	8,088	12,168
Work in Progress Completed	4,660	222	2	3,178	(8,062)	-
Property Impairment	(2,673)	-	-	-	-	(2,673)
Valuation/Cost at 31 July 2014	322,455	1,585	3,079	59,275	2,271	388,665
Depreciation at 1 August 2013	2,995	14	1,621	41,905	-	46,535
Charge for Year	7,164	52	547	5,107	-	12,870
Property Impairment	(187)	-	-	-	-	(187)
Depreciation at 31 July 2014	9,972	66	2,168	47,012	-	59,218
<b>Net Book Value at 31 July 2014</b>	<b>312,483</b>	<b>1,519</b>	<b>911</b>	<b>12,263</b>	<b>2,271</b>	<b>329,447</b>
Net Book Value at 31 July 2013	317,321	1,349	1,453	10,267	2,245	332,635

All of the University's Land and Buildings were revalued as at July 2013 by BNP Paribas Real Estate UK. This resulted in an impairment charge of £3.8m and a corresponding grant release of £1.0m in the 2013 Income & Expenditure Account. A net unrealised surplus of £30.7m was also credited to the Revaluation Reserve in 2013.

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

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

	2014 £'000	2013 £'000
Historic Cost	328,788	323,749
Aggregate Depreciation Based on Cost	(56,377)	(51,137)
Net Book Value Based on Cost	272,411	272,612

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

## 14 FIXED ASSET – INVESTMENTS

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

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

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

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

555

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

The University sold its 19% investment in Quantum Genetics Limited on 20 May 2014.

	CONSOLIDATED		UNIVERSITY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>15 DEBTORS</b>				
Amounts falling due within one year				
Trade Debtors	2,128	3,562	2,125	3,561
Amounts Owed by Subsidiary Undertakings	-	-	324	238
Prepayments and Accrued Income	6,781	3,940	6,597	3,846
Other Debtors	138	110	138	110
	<b>9,047</b>	<b>7,612</b>	<b>9,184</b>	<b>7,755</b>
<b>16 CURRENT ASSET INVESTMENTS</b>				
Cash invested as a Short Term Deposit	-	5,000	-	5,000
	-	5,000	-	5,000

	CONSOLIDATED		UNIVERSITY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>17 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
Bank Loans (Note 18)	3,476	478	3,476	478
Other Loans (Note 18)	76	152	76	152
Trade Creditors	9,743	7,117	9,738	7,064
Amounts owed to Subsidiary Undertakings	-	-	-	49
Social Security and Other Taxes Payable	2,637	2,456	2,629	2,450
Accruals	6,803	5,688	6,803	5,688
Capital Grants not yet expended	958	644	958	644
Deferred Income	28,423	32,238	28,418	32,209
Other Creditors	767	751	767	751
External Funds (Note 27)	491	474	491	474
	<b>53,374</b>	<b>49,998</b>	<b>53,356</b>	<b>49,959</b>

	CONSOLIDATED and UNIVERSITY	
	2014 £'000	2013 £'000
<b>18 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Bank Loans	72,524	66,055
Other Loans	-	76
Deferred Income	-	124
	<b>72,524</b>	<b>66,255</b>
<b>Analysis of Bank and Other Loans by due dates</b>		
Due within one year or on demand	3,552	630
Due between one and two years	3,476	3,119
Due between two and five years	10,428	9,131
Due in five years or more	58,620	53,881
	<b>76,076</b>	<b>66,761</b>
Due within one year or on demand	(3,552)	(630)
Due after more than one year	72,524	66,131

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

Analysis of Loans by Source

Lender	Type	Start	Term	Interest Rate	Due Within One Year £'000	Due in More Than One Year £'000
Barclays	£96m Revolving Credit Facility:					
	Term Loan	10 March 2004	25 Years	See Note <sup>1</sup>	478	6,577
	Drawdown	1 August 2007	Up to 7 Years	See Notes <sup>2,3,4,5</sup>	2,998	65,947
Salix	£34k Term Loan	9 July 2010	4 Years	Fixed at 0%	4	-
Salix	£573k Term Loan	9 July 2010	4 Years	Fixed at 0%	72	-
					<b>3,552</b>	<b>72,524</b>

The University drew down an additional £9.9m from the Revolving Credit Facility (RCF) on 31 July 2014. This RCF ended on that date and in September 2014 the University signed a new £91.0m loan agreement with Barclays which saw the conversion of all outstanding RCF drawdowns and the existing term loan into a new single term loan of £76.0m and the creation of a new 5 year, £15.0m Revolving Credit Facility.

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

The following Rates apply to the Barclays borrowings:

Agreement	From	To	Rate	Borrowings £'000
<sup>1</sup> Fixed Rate Hedge	10 Sept 2004	10 Sept 2014	5.59%	7,055
<sup>2</sup> Fixed Rate Hedge	1 August 2011	1 August 2036	5.52%	32,826
<sup>3</sup> Fixed Rate Hedge	1 August 2012	1 August 2035	4.61%	19,133
<sup>4</sup> Variable Rate	1 July 2014	31 July 2014	0.50%	7,041
<sup>5</sup> Variable Rate	31 July 2014	31 July 2014	0.50%	9,945

At 31 July 2014 the aggregate fair value of the hedge agreements was a liability of £17.0m (2013: £16.5m). 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

	2014 £'000	2013 £'000
<b>19 PROVISIONS FOR LIABILITIES AND CHARGES</b>		
Enhanced Pension Provision	3,545	3,603
Restructuring Provision	987	760
Dilapidations Provision	2,558	-
At 31 July 2014	7,090	4,363

£'000

**a) Enhanced Pension Provision**

At 1 August 2013	3,603	
Benefits Paid	(272)	
Interest Cost	154	
Actuarial Loss	60	
At 31 July 2014	3,545	

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 2013	760	
Utilised in the year	(633)	
Provided in the year	860	
At 31 July 2014	987	

The University restructuring exercise is still on-going.

£'000

**c) Dilapidations Provision**

At 1 August 2013	-	
Utilised in the year	-	
Provided in the year	2,558	
At 31 July 2014	2,558	

This amount is being provided to meet the anticipated cost of exiting an accommodation property lease in 2018.

**CONSOLIDATED and UNIVERSITY**

	Funding Council £'000	Other £'000	Total £'000
<b>20 DEFERRED CAPITAL GRANTS</b>			
At 1 August 2013			
Buildings	21,066	1,445	22,511
Equipment	1,564	267	1,831
<b>Total</b>	<b>22,630</b>	<b>1,712</b>	<b>24,342</b>
Grants Received			
Buildings	-	-	-
Equipment	1,108	58	1,166
<b>Total</b>	<b>1,108</b>	<b>58</b>	<b>1,166</b>
Released to Income and Expenditure Account			
Buildings	594	66	660
Equipment	621	126	747
<b>Total</b>	<b>1,215</b>	<b>192</b>	<b>1,407</b>
Unexpended Grants transferred from Creditors			
Buildings	-	-	-
Equipment	644	-	644
<b>Total</b>	<b>644</b>	<b>-</b>	<b>644</b>
Unexpended Grants transferred to Creditors			
Buildings	-	-	-
Equipment	958	-	958
<b>Total</b>	<b>958</b>	<b>-</b>	<b>958</b>
At 31 July 2014			
Buildings	20,472	1,379	21,851
Equipment	1,737	199	1,936
<b>Total</b>	<b>22,209</b>	<b>1,578</b>	<b>23,787</b>

	CONSOLIDATED			
	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total £'000
<b>21 RECONCILIATION OF MOVEMENT IN RESERVES</b>				
At 1 August 2013	107,300	127,365	(98,717)	135,948
Surplus for Year	-	4,788	-	4,788
Historical Cost Transfer	(2,523)	2,523	-	-
Unrealised Property Impairment	(2,486)	-	-	(2,486)
Pension Scheme Transfer	-	1,223	(1,223)	-
Actuarial Gain in Respect of Defined Benefit Pension Scheme	-	-	18,530	18,530
Actuarial Loss in Respect of Enhanced Pension Provision	-	(60)	-	(60)
<b>At 31 July 2014</b>	<b>102,291</b>	<b>135,839</b>	<b>(81,410)</b>	<b>156,720</b>

	UNIVERSITY			
	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total £'000
At 1 August 2013	107,300	127,524	(98,717)	136,107
Surplus for Year	-	4,783	-	4,783
Historical Cost Transfer	(2,523)	2,523	-	-
Unrealised Property Impairment	(2,486)	-	-	(2,486)
Pension Scheme Transfer	-	1,223	(1,223)	-
Actuarial Gain in Respect of Defined Benefit Pension Scheme	-	-	18,530	18,530
Actuarial Loss in Respect of Enhanced Pension Provision	-	(60)	-	(60)
<b>At 31 July 2014</b>	<b>102,291</b>	<b>135,993</b>	<b>(81,410)</b>	<b>156,874</b>

	CONSOLIDATED	
	2014 £'000	2013 £'000
<b>22 CAPITAL COMMITMENTS</b>		
<b>Committed and Contracted for</b>	<b>2,944</b>	2,356

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

Surplus Before Tax	4,788	3,968
Interest Receivable	(291)	(258)
Interest Payable	3,905	4,551
Depreciation	12,870	13,716
Impairment of Tangible Fixed Assets	-	3,813
Deferred Capital Grants Released to Income	(1,407)	(2,907)
Pension Adjustments to Staff Costs	763	511
Pension Adjustments to Interest Payable	(154)	(143)
(Increase)/Decrease in Stocks	(40)	28
Increase in Debtors	(1,435)	(1,034)
Increase in Creditors	330	5,681
Capital Grants transferred from Creditors	644	751
Capital Grants transferred to Creditors	(958)	(644)
Increase/ (Decrease) in Provisions	2,667	(868)
<b>Net Cash Inflow from Operating Activities</b>	<b>21,682</b>	27,165

	CONSOLIDATED			
	Opening £'000	Cash Flow £'000	Other £'000	Closing £'000
<b>24 ANALYSIS OF CHANGES IN NET DEBT</b>				
Cash and Bank	34,268	21,995	-	56,263
Investments	5,000	(5,000)	-	-
Debt due within One Year	(630)	630	(3,552)	(3,552)
Debt due after One Year	(66,131)	(9,945)	3,552	(72,524)
<b>Net Debt</b>	<b>(27,493)</b>	<b>7,680</b>	<b>-</b>	<b>(19,813)</b>

## CONSOLIDATED and UNIVERSITY

## 25 FINANCIAL COMMITMENTS

At 31 July 2014 the University had annual commitments under non-cancellable operating leases as follows:

	2014 £'000	2013 £'000
Amounts Expiring Within One Year	212	354
Amounts Expiring Between One and Two Years	420	110
Amounts Expiring Between Two and Five Years	1,207	309
Amounts Expiring in More than Five Years	3,676	4,577
	<b>5,515</b>	<b>5,350</b>
Analysed by:		
Property Rentals	5,370	5,192
Equipment Hire	123	158
Vehicle Hire	22	-
	<b>5,515</b>	<b>5,350</b>

## 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	6,572	6,706
USS	1,030	834
LGPS	8,412	8,813
Enhanced Pension Contributions	4	3
<b>Total</b>	<b>16,018</b>	<b>16,356</b>

The following information, taken from the latest scheme valuations, has been used to determine the contribution levels of the Schemes for 2013/14:

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

\* 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 latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location: <https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

The value of employee and employer contributions paid to the TPS in the year amounted to £11,756k (2013: £10,847k).

## 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 2014 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 3 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 a 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 trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

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.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the

ongoing 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 was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation 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 of 31 March 2011 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%.

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 £1,555k (2013: £1,260k).

## **Tyne and Wear Pension Fund (TWPF)**

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

During the year, the University's contribution rate for non-academic administrative staff was 14.1% from 1 August 2013 to 31 March 2014 and thereafter 14.9% to 31 July 2014.

The value of employee and employer contributions paid to the TWPF in the year amounted to £9,769k (2013: £9,352k).

## 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 2015

The Employer’s regular contributions to the Fund for the accounting period to 31 July 2015 are estimated to be £7,970k. 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 2013. 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:

<b>Principal Actuarial Assumptions</b>	<b>Year Ended 31 July 2014</b>	<b>Year Ended 31 July 2013</b>
Discount Rate	4.1%	4.5%
RPI Inflation	3.2%	3.6%
CPI Inflation	2.2%	2.7%
Rate of increase to pensions in payment	2.2%	2.7%
Rate of revaluation of pension accounts	2.2%	n/a
Rate of increase to deferred pensions	2.2%	2.7%
Rate of general increase in salaries	3.7%	4.6%
<b>Post retirement mortality</b>	<b>At 31 July 2014 Years</b>	<b>At 31 July 2013 Years</b>
<b>Males</b>		
Future lifetime from age 65 (currently aged 65)	23.0	21.7
Future lifetime from age 65 (currently aged 45)	25.0	23.5
<b>Females</b>		
Future lifetime from age 65 (currently aged 65)	24.6	23.9
Future lifetime from age 65 (currently aged 45)	26.9	25.8

## 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 2014 %	Asset split at 31 July 2014 %	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 %
Equities	7.5	67.2	7.8	66.6	7.5	65.9
Property	6.8	9.1	7.3	8.9	7.0	9.0
Government Bonds	3.2	3.6	3.3	3.6	2.5	7.3
Corporate Bonds	3.7	11.5	4.0	11.6	3.2	12.1
Cash	1.1	2.6	0.9	2.3	1.4	1.9
Other	7.5	6.0	7.8	7.0	7.5	3.8
<b>Total</b>	<b>6.7</b>	<b>100.0</b>	<b>7.0</b>	<b>100.0</b>	<b>6.5</b>	<b>100.0</b>

A building block approach is used to determine 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 the accounting date.

The following amounts for 31 July 2014 were measured in accordance with the requirements of FRS 17:

	Value as at 31 July 2014 £'000	Value as at 31 July 2013 £'000
<b>Reconciliation of Funded Status to Balance Sheet</b>		
Fair Value of Fund Assets	172,496	162,988
Present Value of Liabilities	(253,906)	(261,705)
Net Pension Liability	(81,410)	(98,717)
	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
<b>Analysis of Income and Expenditure Charge</b>		
Current Service Cost	8,110	7,550
Past Service Cost – Strain on Fund Contributions	302	1,263
Interest Cost	11,880	10,290
Expected Return on Assets	(11,420)	(8,950)
Expense recognised in Income and Expenditure	8,872	10,153

The Expense recognised in the Income and Expenditure account was allocated £8,412k (2013: £8,813k) to Staff Pension Costs and £460k (2013: £1,340k) to Interest Payable.

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
<b>Analysis of the amount recognised in Statement of Total Recognised Gains and Losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	(5,720)	11,960
Changes in assumptions underlying the present value of the scheme liabilities	24,250	(10,230)
Actuarial Gain recognised in STRGL	18,530	1,730
<b>Changes to the Present Value of Liabilities during the year</b>		
Present Value of Liabilities as at 1 August	261,705	237,396
Current Service Cost	8,110	7,550
Interest Cost	11,880	10,290
Contributions by Participants	2,399	2,288
Actuarial (Gains)/Losses on Liabilities	(24,250)	10,230
Net Benefits Paid Out	(6,240)	(7,312)
Past Service Cost – Strain on Fund Contributions	302	1,263
Present Value of Liabilities as at 31 July	253,906	261,705
<b>Changes to the Fair Value of Assets during the year</b>		
Fair Value of Assets as at 1 August	162,988	138,800
Expected Return on Assets	11,420	8,950
Actuarial (Losses)/Gains on Assets	(5,720)	11,960
Contributions by Employer	7,649	8,302
Contributions by Participants	2,399	2,288
Net Benefits Paid Out	(6,240)	(7,312)
Fair Value of Assets as at 31 July	172,496	162,988

	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000	Year Ended 31 July 2012 £'000	Year Ended 31 July 2011 £'000	Year Ended 31 July 2010 £'000
<b>History of Experience Gains and Losses</b>					
<b>Difference between the expected and Actual return on scheme assets</b>					
Amount – £'000	(5,720)	11,960	(7,620)	4,110	10,800
Percentage of scheme assets	-3.3%	7.3%	-5.5%	3.1%	9.5%
<b>Experience gains/(losses) on Scheme liabilities</b>					
Amount – £'000	14,640	(80)	(1,030)	(2,580)	1,490
Percentage of present value of Scheme liabilities	5.8%	-0.0%	-0.4%	-1.3%	0.8%
<b>Total amounts recognised in STRGL</b>					
Amount – £'000	18,530	1,730	(22,830)	(6,300)	17,701
Percentage of scheme liabilities	7.3%	0.7%	-9.6%	-3.1%	9.8%

#### CONSOLIDATED and UNIVERSITY

	2014 £'000	2013 £'000
<b>27 EXTERNAL FUNDS</b>		
<b>a) Access Funds</b>		
As at 1 August	6	10
Funding Council Grants	484	499
Interest Earned	1	1
	491	510
Disbursed to Students	(471)	(489)
Administration Fees	(15)	(15)
As at 31 July (Included in creditors – Note 17)	5	6
The University is allowed to charge an admin fee of up to 3% of the Grant.		
<b>b) National College for Teaching and Learning Bursaries</b>		
As at 1 August	468	448
Funding Council Grants	1,065	1,571
	1,533	2,019
Payments to Trainees	(1,047)	(1,551)
As at 31 July (Included in creditors – Note 17)	486	468

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**

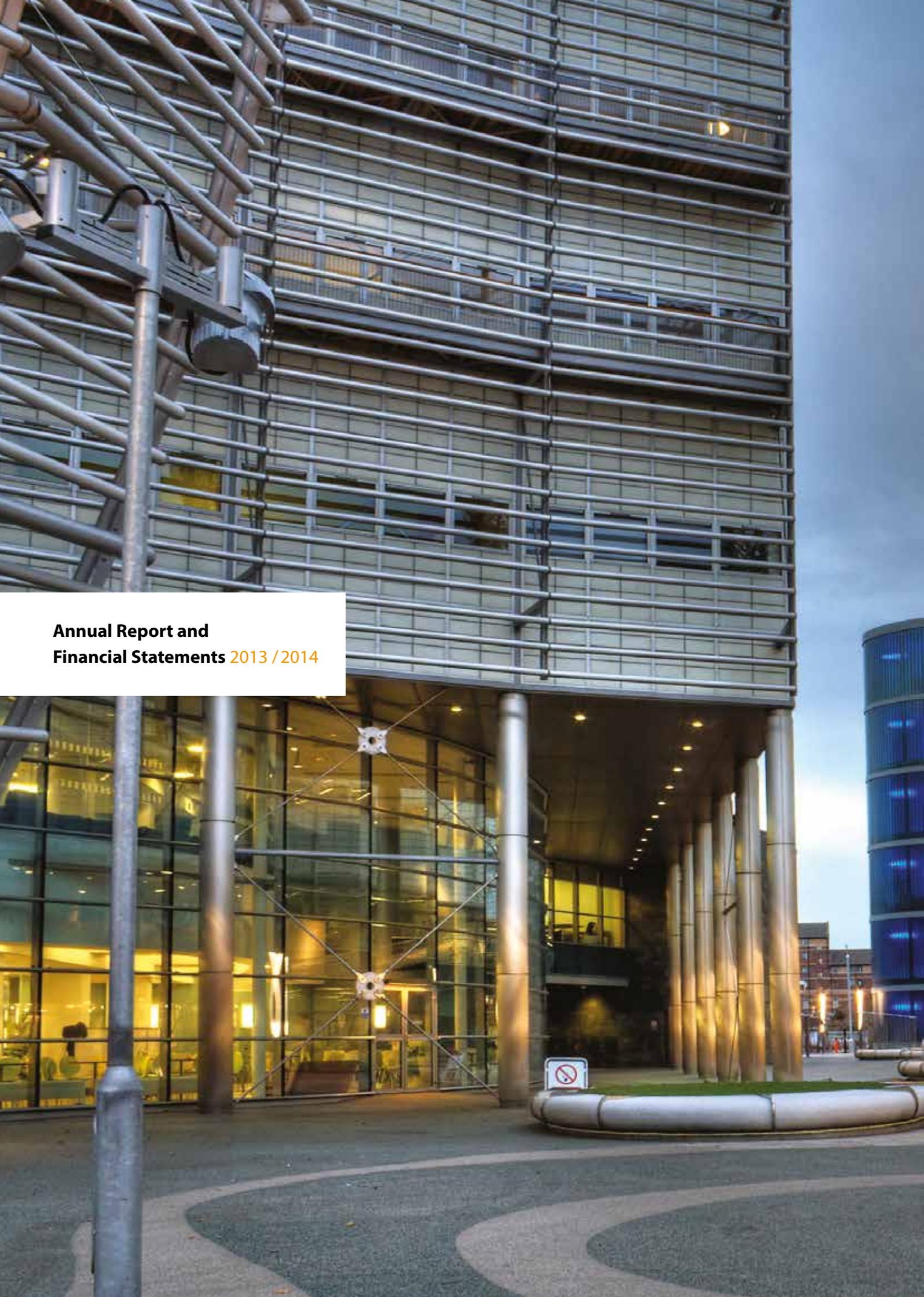
The University has taken advantage of the disclosure exemption under FRS 8, which applies to transactions and balances between group entities that have been eliminated on consolidation.

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:

	<b>Sales 2014 £'000</b>	<b>Purchases 2014 £'000</b>	<b>Sales 2013 £'000</b>	<b>Purchases 2013 £'000</b>
ARCH Northumberland Development Company	-	29	-	23
BALTIC Flour Mills Visual Arts Trust Ltd	-	256	-	132
British Telecommunications Plc	-	293	-	350
Colour Me Beautiful Ltd.	-	14	-	2
Deloitte LLP	-	-	-	23
Higher Education Statistics Agency Ltd	-	54	-	47
IBM Plc	-	8	-	14
Newcastle Gateshead Initiative	-	22	-	15
Northumbrian Water Ltd	9	551	23	464
Student Finance England	1	-	10	-
Templeton Brown Ltd	-	20	-	-
University of Northumbria Students' Union	1,301	1,860	270	1,093
UNW LLP	-	18	-	22
	<b>Debtor</b>	<b>Creditor</b>	<b>Debtor</b>	<b>Creditor</b>
	<b>2014 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>	<b>2013 £'000</b>
ARCH	-	4	-	3
Baltic	-	12	-	-
HESA	-	4	-	2
Northumbrian Water	-	32	-	-
Templeton Brown	-	4	-	-
University of Northumbria Students' Union	6	298	8	8
UNW LLP	-	4	-	4

During the year the University recognised income of £21,681k (2013: £21,308k) and incurred expenditure of £277k (2013: £212k) from transactions with subsidiary undertakings (as listed in note 14). Amounts due to and from subsidiary companies are disclosed in notes 15 and 17.





**Annual Report and  
Financial Statements 2013 / 2014**