Northumbria University

Annual Report and Financial Statements 2015 / 2016

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It is a great pleasure to introduce the Financial Statements for 2015/16, and highlight the major successes and achievements of our staff and students in what has been a stand-out year for Northumbria University. The Annual Report highlights many and varied examples of our successes during the period, and provides only a snapshot of the achievements of our students and staff.

Northumbria's Corporate Strategy and Vision, with its focus on quality across all University activities is clearly achieving what it intended. This includes quality both in terms of student entrants, the student experience, employability prospects upon graduation and Northumbria's research. We have achieved strong student recruitment, whilst simultaneously achieving higher levels of entry qualification and growth, in both undergraduate and postgraduate student numbers, placing Northumbria as the highest performing post-1992 university in terms of the average undergraduate entry tariff. Building on our sector-leading result in the Research Excellence Framework (REF) in 2014, with the biggest rise in research power of any university, in 2015/16 Northumbria launched its Multi-Disciplinary Research Themes to re-position and reconfigure our areas of research excellence, to create collaborative, multi-disciplinary world-class research with impact regionally, nationally and globally.

During this year Northumbria has progressed work on a major Student Central initiative which represents a major multi-million pound investment to transform the student experience and place students at the heart of the University's thinking and operations. Alongside this, in the Times Higher Education (THE) Student Experience Survey released in March 2016, Northumbria was rated as the 18th best university in the UK for student experience, its best ever position, demonstrating our commitment to the student experience and growing national and international reputation. In November 2015, Northumbria also scooped the prestigious Business School of the Year award at the THE Awards. To crown these achievements, Northumbria was also listed by THE as one of the world's top 150 universities under 50 years old.

This year Northumbria has increased its income to £246m and made significant investments in our students, our staff and our infrastructure, including £15.8m invested in the University's facilities and infrastructure, including the Estate, STEM and Faculty Teaching and Research Equipment. The University's achievements over the past 12 months and its solid financial position provide a strong foundation from which we can continue to work on making our ambitious Vision 2025 a reality as we approach the mid-point of the Corporate Strategy in the next financial and academic year.

By recognising and developing the talent, experience and contributions of all of our staff and students, combining academic excellence, an outstanding experience and demand focus, Northumbria will demonstrate that it is a new type of excellent university, and increasingly the natural choice for students, staff and partners.

In light of the June 2016 referendum outcome that the UK exits the European Union, the need to affirm the values that the University holds to be important is stronger than ever, recognising and celebrating the valuable contribution that all our EU and international staff bring to the University through research, teaching and the internationalisation of our institution. Northumbria remains a global University and is committed to working with our partners towards developing our relationships and collaborations locally, nationally and internationally. We will continue to encourage, and invest in attracting, a diverse mix of students and staff from across the globe, supporting their development and embedding them into the Northumbria community and its future.

Professor Andrew Wathey CBE

Vice Chancellor and Chief Executive

21 November 2016

Northumbria University's Annual Report and Financial Statements for 2015/16 highlight the major and diverse achievements over the period.

Whilst the Annual Report and Financial Statements 2015/16 is a statutory publication, presenting the formal financial and wider corporate performance of the University, the purpose it serves in communicating the range of successes of the University should not be underestimated.

As we fast approach the mid-point in the Corporate Strategy which the University Executive and the Board of Governors signed off in 2013, it is clear that the strategy and wider Vision set out for the University is paying dividends, with its focus on quality, in its many and varied facets through the work of our staff and students, who are making realisation of the Strategy a reality for Northumbria.

Core to this is the University's continued success in increasing both the quality and number of Home/ EU Undergraduate students admitted each year in a challenging environment, made more so by the decision to lift the cap on student numbers and intensified competition within the HE sector. During 2015/16, Northumbria is building on its outstanding performance in the REF 2014 and is making continued significant investment in research staff, facilities and equipment which merit a University on the road to being a world-class research institution.

The Board of Governors and the University Executive recognise that the most valuable resource the University has is its staff. The Corporate Strategy and wider vision will not be achieved without the talents and commitment of all staff. In 2015/16 continued work and engagement with staff at all levels of the University has been a key priority, and is central to empowering staff to deliver the strategy. Major investments have been made in the 2015/16 in Northumbria's, infrastructure, technology and, as importantly, developing our staff to support new ways of working to transform the student experience and expectations. The announcement of major plans to transform the University's estate for the next financial year and beyond, indicate our confidence and continued capacity to invest and grow.

The University's financial performance in 2015/16 provides a solid base for our future sustainability. The University's staff and students are commended for the multiple achievements throughout this year, including stand-out achievements such as Times Higher Education Business School of The Year, and our ranking by Times Higher Education as one of the best young universities in the world.

Echoing the views of the Vice-Chancellor and Chief Executive in his Foreword, following the decision reached in the June 2016 referendum that the UK will be exiting the EU, on behalf of the Board of Governors I wish to reinforce Northumbria's continued commitment to both our European perspective as an institution, and our wider global outlook as reflected in our student and staff populations, and multiple overseas partnerships and collaborations for academic and research partnerships.

2016/17 will be bring a range of opportunities for Northumbria University in a climate of increased competition and the first stages in a changed external regulatory and operating environment. As Northumbria enters the next year of its Corporate Strategy the Board of Governors and the University Executive will continue to work together, to ensure that Northumbria is well-placed to respond to these.

Chris Sayers

Chair of the Board of Governors

21 November 2016

UNIVERSITY ACHIEVEMENTS AT A

THE AWARDS 2015 | WINNER BUSINESS SCHOOL OF THE YEAR

Newcastle Business School won the prestigious **Times Higher Education Business School of the Year** award for 2015 in recognition of its excellence in student experience, international accreditations and research-rich learning.

In summer 2016, the University announced a further **£52m investment to create outstanding new facilities** for students, including a new Student Central zone, and a new Computing and Information Sciences Building, an Architecture and Built Environment building and **£6.7m investment in new STEM facilities** which will support a range of our science, technology, engineering and mathematics related academic programmes.

Northumbria University is ranked 33rd in England for student entry qualifications and is the **leading post-92 university** on this measure.

In 2016, Northumbria was **rated Top 50 in the UK** in the 2017 Guardian University League Table.

Northumbria is **ranked 9th in the UK** for the number of graduates in professional or managerial roles.

Northumbria's University Library is ranked joint **1st in the UK** in the Times Higher Education Student Experience Survey 2015–16.

Northumbria is **ranked in the world's Top 150 Under 50** – Times Higher Education's ranking of the top 150 global universities established after 1966.

Northumbria's sports facilities are ranked joint **4th in the UK** by Times Higher Education Student Experience Survey 2015-16. It is the top rated university in the North East in the same survey. Northumbria's sports team are ranked **8th in the UK** in the competitive BUCS league – the only post 1992 university represented in the top 10.

Northumbria is **ranked 6th in the UK** for international student satisfaction in the International Student Barometer survey Autumn 2015.

Northumbria is **ranked top 20 in the UK** for student experience in the Times Higher Education Student Experience Survey 2015–16.

GLANCE

Subjects with high levels of satisfaction are: History (99%); Subjects allied to medicine (97%); Politics (95%); Physical Geography and Environmental Science (95%). Chemistry, Drama, Sociology, Psychology, Microbiology and Electrical and Electronic Engineering all scored 90% satisfaction or above, as measured in the National Student Survey 2016.

92% of Northumbria students are satisfied with the University's library resources and IT services in the National Student Survey 2016, which puts Northumbria 14th in the UK as measured by the Good University Guide.

The University has partnered with **Northumbria Healthcare NHS Foundation Trust** to launch a pioneering, work-based course to train existing Trust staff to qualify as nurses.

QS STARS RATED FOR EXCELLENCE 2016

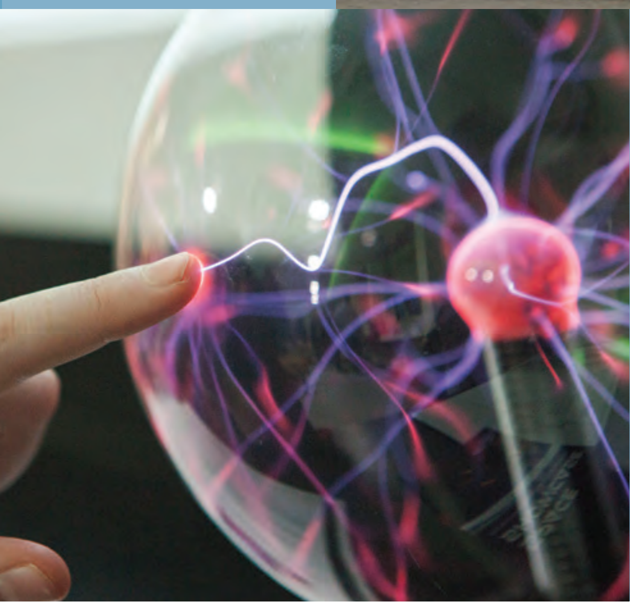
Northumbria received a **4* rating** in the international QS Stars University Ratings for 2016, being **rated as 5*** in Teaching, Employability, Internationalisation and Inclusiveness.

Working with regional employers the University has developed the BSc Digital and Technology Solutions Degree Apprenticeship Programme – the **first Degree Apprenticeship Programme** in the North East.

Northumbria is the **best rated university** in the North East for good accommodation in the Times Higher Education Student Experience Survey 2015.

93% of students are in work or further study six months after graduation and this has increased by 10% since 2013.

The University is part of the **£3m Arts and Humanities Research Council** North East Creative FUSE project which will work with businesses, artists, cultural organisations and partners on how the 'fusion' of creativity and digital technology supports innovation and economic growth.



Think Physics is a ground-breaking, £3m+ widening participation project that works in partnership with industry, education and public organisations to increase science capital in the region and encourage young people from early years to sixth form to consider a STEM career and education.

Northumbria is the **number 1 university** in the North East for 'good industry connections' according to the Times Higher Education Student Experience Survey 2015-16.

THE STUDENT EXPERIENCE SURVEY 2015-16 TOP 20

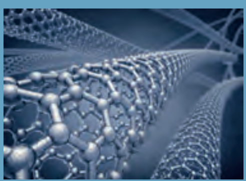
RESEARCH ACHIEVEMENTS AT A GLANCE

The University has been awarded £3m from the European Commission for the Innova MicroSolar Project to research an innovative micro solar heat and power system for domestic and small business residential buildings.

The University was awarded a Marie Sklodowska Curie RISE project grant from the European Commission looking at entrepreneurialism in researchers and trans-national and trans-cultural talent management. The project will focus on young talent as a key driver of future development, and will be developed through co-operation of three stakeholders: employers, universities, students and graduates.

Researchers from the Department of Public Health are working on an innovative study with the Citizens Advice Bureau to examine the impact that accessing CAB services can have on people's health, particularly on their stress and anxiety levels.

Northumbria is leading a multi-partner, multi-disciplinary research project funded partly by the Economic and Social Research Council, which investigates how cultures of fear and mistrust are generated online with the aim of understanding how these can be countered to build greater online trust and empathy.



The University has collaborated with industry partner and chemical manufacturer Thomas Swan & Co to establish a Knowledge Transfer Partnership funded by Innovate UK. The partnership will develop an Advanced Materials Commercialisation Strategy to improve the understanding of its product in potential markets. This will include the exploration of the many possible uses of graphene; which includes the ultra-fast charging of batteries, faster flash memory, bendable batteries and bionic devices that can connect directly to the body's neurons. Thomas Swan, is one of the UK's first commercial manufacturers of graphene.

Northumbria is part of an Engineering and Physical Sciences Research Council-funded collaborative research project which aims to replace inorganic metals with organic polymers in Light-Emitting Diodes to enable low-cost, reliable Visible Light Communications. The project will create a secure, energy efficient way to address limitations caused by increasing demand on traditional radio frequency based wireless communications.

Three Northumbria Academics received prestigious Leverhulme Fellowship awards for their work on Women, Mining and Participatory Photography in the Peruvian Andes; Material Sight: Negotiating Fundamental Science through the Use of Non-documentary Photography and Film; and Transforming emotional design principles into crowdsourcing platform design.

Two projects were funded by the US Air Force Office for Scientific Research to help understand space weather. The first examines solar wind acceleration which will help to predict geomagnetic storms and to forecast space weather. The second project investigates solar energetic particles, the most hazardous form of space weather disruption for communication and human space satellites.


northumbria
UNIVERSITY NEWCASTLE

Introduction

This document includes an overview of performance during 2015/16 along with the Financial Statements of the University for 2015/16. 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 with a further investment of £52m announced in 2016. The scale and pace of investment has been a key driver in meeting the

Newcastle Gateshead

University's goal to deliver an outstanding student experience, and has done much to raise satisfaction levels among students. Northumbria was ranked top 20 in the UK for student experience in the Times Higher Education Student Experience Survey 2015-16 and in the world's top 150 under 50 in the Times Higher Education's ranking of the top 150 global universities established after 1966.

Northumbria offers a breadth of programmes in popular subjects at first degree level and at postgraduate level, as well as offering a broad portfolio of executive education for business, the professions and a wealth of other organisations.

Northumbria University, with 32,000 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 8,500 international students from 132 countries now study at one of Northumbria's campuses, or on a Northumbria course overseas.

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

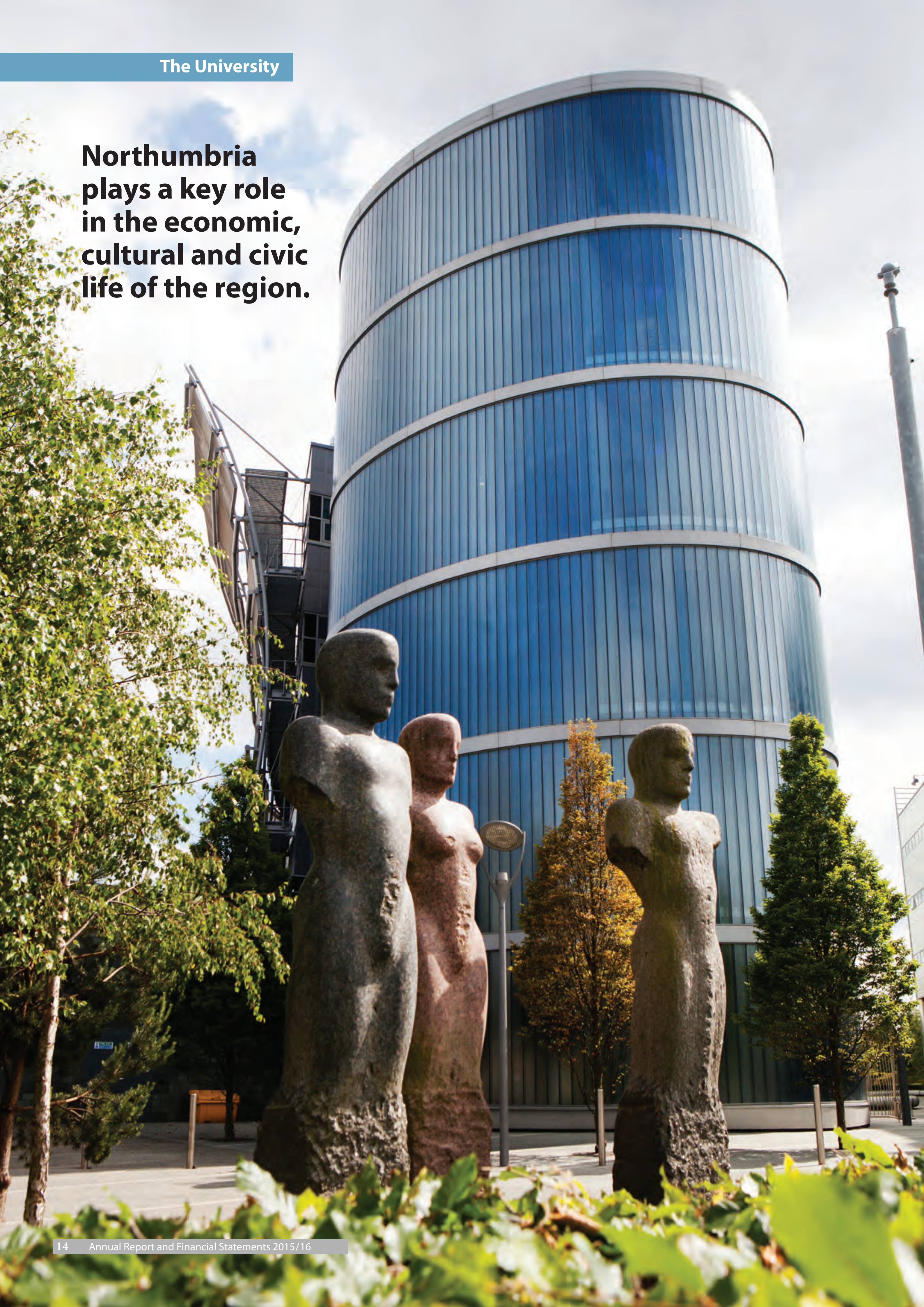
It will give Northumbria a distinctive, competitive advantage by combining academic excellence with a real-world focus, and will mean:

- Northumbria graduates are distinguished by their intellectual expertise and prowess, their leadership capability and employability.
- The University has significant global reach, with its skills and research deployed to benefit societies worldwide, making full use of technological advances in delivery.
- Northumbria produces world-leading and internationally excellent research that drives excellence across 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

Merlion of Singapore

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



Corporate Strategy 2013–18

Under the umbrella of Vision 2025, the Corporate Strategy 2013-18 sets out the steps that are needed to develop the University's core activities of research, teaching, the student experience, international work and partnership working. It is the first phase of achieving the step change set out in the Vision. Throughout 2013-2018 Northumbria 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.

Review of Operations

Tuition Fees and Funding

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

The University continued to have one of the most generous packages of financial support for students of HEIs with a total spend of £23.0m on Scholarships and Bursaries in 2015/16. As part of this package Northumbria remains committed to widening participation to encourage the best and brightest students, regardless of background, to apply to Northumbria; to enable them to complete their studies and to succeed academically, personally and professionally. Northumbria's Access Agreement with the Office for Fair Access (OFFA) sets out the actions it will take to achieve its Widening Participation Strategy.

The introduction by the government of a £10,000 loan scheme removed the biggest barrier to entry for Postgraduate Taught (PGT) students. This together with the introduction of a Vice Chancellors Scholarship resulted in a successful year for PGT recruitment.

Northumbria is committed to transparency in all of its operations and activities, including the Student Experience. The University has made a commitment that no student will be faced with additional costs for any element of their course that is considered mandatory. 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. 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. More information is provided in the Public Benefit Statement of this document.

People

Recruiting, retaining and developing high-calibre staff is critical to the University's success. During 2015/16, the University has recruited many high quality, doctorally-qualified academic staff to support our plans to ensure quality in all our academic activities and fulfil our ambition to be a research-rich, business focussed, professional University with a global reputation for academic excellence.

An Academic Career Framework has been embedded across the University and now includes the role of Associate Professor. This work has defined new standards across academic roles and provides greater clarity of expectations in roles and for the purposes of promotion applications. In addition, Faculty leadership teams have been reviewed and restructured in line with future needs. A review of academic workload tariffs has been completed and a new online system to record and monitor academic workloads is being used to ensure that individual workloads are appropriately balanced and fair.

During 2015/16 the University continued to invest significantly in the development of colleagues. Five levels of leadership development have taken place along with the third intake to our Graduate Scheme, all of which are attracting excellent feedback from participants and managers. The internal coaching network launched this year led to 26 colleagues becoming accredited coaches and over 50 colleagues benefitting from having a coach. Three meetings of the Professoriate have been positively received and the University's Extended Leadership team has met regularly to discuss important strategic items during the academic year.

The University has reviewed and re-shaped the workforce within its Professional Services which has included a major project to Transform the Student Experience which will give students flexibility and choice on how and when they access the University's services. The University's Performance Development and Appraisal Scheme is now embedded across the University with up to 98% of staff participating on an annual basis.

Work to specify and evolve the University's organisational culture has continued throughout the year with a model of future culture agreed through the engagement of, and input from, colleagues and external stakeholders. The Staff Engagement Forum has continued to meet on a regular basis throughout the year and has been a useful vehicle through which to engage with staff and make changes.

Estate

During 2015/16 the University has continued to deliver its Estates Development Plan 2013-18, which was developed as a framework for the management and development of the estate in support of the University's Corporate Strategy and Vision 2025.

The Plan is based around four key themes:

- capital investment for further estate improvement and development.
- refurbishment and enhancement of the University campuses.
- safeguarding options and creating new proposals for longer term developments that enhance the overall value and flexibility of the estate.
- strategic property acquisitions to support the ambitions of the University and the disposal of surplus property assets to raise capital for reinvestment into the Corporate Strategy.

The University has invested over £200m into the estate during the last decade and is focussed on developing new space where the student experience will be significantly enhanced and making the existing estate more efficient through improved space utilisation and reducing carbon emissions. During 2015/16, the Board of Governors approved a further £31m investment into the estate through the delivery of 4 major transformational projects: Student Central, a new Architecture Building, a new Computer & Information Sciences Building and the extensive refurbishment of Lipman Building used by the Faculty of Art, Design & Social Sciences. In addition, a further £7m of estate capital spend was approved for 2015/16 to invest in state-of-the-art STEM learning and research facilities and the creation of a Business Clinic to house the pioneering programme run by Newcastle Business School giving students first-hand experience of working with real companies.

At the end of the 2015/16 the Board of Governors agreed the purchase of the Sandyford Building from Newcastle College Group on its City Campus West, to consolidate University ownership of this key part of the University Estate.

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

Sustainability

Good progress has been made in 2015/16 in meeting the Corporate Strategy commitment to improvements in sustainability. Following the recruitment of a Carbon Manager and a Sustainability Adviser in summer 2015, a comprehensive programme of work has been put in place to ensure cost-efficiency, legal compliance and sustainable improvements.

The updated Carbon Management Plan now includes emissions targets relating to water, waste and business travel as well as setting out how to achieve the ambitious targets outlined in the original plan. Projects implemented in 2015/16 include: 150 kW of solar PV arrays installed, new boilers, improvements to building management systems, a whole building retrofit pilot in Glenamara House, and monitoring of water meters to detect leaks. These have resulted in a 16% reduction in emissions from energy use (against our target for the year of 6%). Our carbon emissions per square metre are also well below the sector average at 64kg CO2/m2. The savings achieved by these projects within 2015/16 amounts to over £350,000. The University has also changed its international travel policy, including reducing the number of University representatives travelling overseas to attend partner and other engagements, which is anticipated to have a positive effect in reducing our carbon footprint.

Northumbria has also made great strides in our implementation of an Environmental Management System. This ensures compliance, best practice and continuous improvement. The Environmental Sustainability Policy was updated to include targets relating to energy, waste, water, travel, biodiversity and procurement, and accompanying action plans were agreed. An assessment of our compliance obligations and our environmental impacts contributed to the university gaining the Silver EcoCampus standard – a positive step towards our target to achieve ISO14001:2015 by 2020.

Staff and student engagement has also seen great developments with our highest ever levels of participation in the Green Impact staff engagement scheme. Teams from every Faculty and Service together completed over 1,000 actions to raise environmental awareness and to improve sustainability – from undertaking audits to Improving signage. Over 400 students signed up to this year's Student Switch off Scheme aimed at reducing energy use in Halls, and a number of students also made sustainability at Northumbria University the focus of their Academic Research, with support from the Sustainability Adviser. Awareness amongst staff and students was also furthered by a series of events including a Sustainable Travel Information Fair, a talk by a Colombian Fairtrade producer and a range of events for Go Green Week which saw over 400 staff and student participants.

Information Technology

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

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

IT has increased the reliability of core systems by migrating Library Management System and Blackboard Virtual Learning Environment to the cloud. In addition, plans are well advanced on the Transformation of the Student Experience (TSE). The technology to support the TSE programme will introduce a new Content Management System with Student Portal that is integrated to a new Customer Relationship Management (CRM) system. Further enhancements in productivity are planned with the introduction of a Purchase-to-Payment (P-2-P) system which will provide an online catalogue for employees. Video and audio equipment are now available in all classrooms and the recording of lectures is growing rapidly.

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 direct registration with the Charity Commission. HEFCE is 'principal regulator' of the University as exempt charity. The Board of Governors, as the Trustees of the University has had due regard to the Charity Commission's guidance on public benefit for the period. This Public Benefit Statement demonstrates how the University has delivered its charitable purposes in the reporting period. The University has reviewed its relationship with linked and paragraph 28 charities with income of more than £100,000 under Schedule 3 of the Charities Act 2011 and does not have any which require reporting on.

In formulating and confirming this Statement, the Board of Governors notes that the principles of public benefit require identifiable benefits to the public, or a section of the public. In the widest sense, Northumbria University provides public benefit to a diverse student body based in the North East of England (and drawn from across the world), its London Campus and overseas, spanning social, gender, racial, age and other demographic categories. This is alongside the University's role in civic society and the many areas of public life, upon which the work of its students, graduates, staff, research and business and engagement activities makes a positive impact. The breadth of work and activities of the University advances several of the 12 charitable purposes described in Section 3(1) of the Charities Act 2011, examples of which are identified in this Statement.

The Advancement of Education

The fundamental charitable purpose of the University is the 'advancement of education' and supporting access to, and progression through, Higher Education for its student beneficiaries, recognising the transformative power of education. However, we also recognise that life chances are not equal in society and we help secure access to HE for students from a range of disadvantaged backgrounds. The University annually submits for review and approval an Access Agreement to the Office for Fair Access (OFFA) as the independent public body which regulates fair access to Higher Education (HE) in England, including those from lower income backgrounds and under-represented groups.

Outreach Activities

Northumbria has continued to maintain and grow its current extensive outreach programme which includes working across different ages and under-represented groups in HE. 'NU Entry' is a structured scheme for year 12 students who meet specific academic and background criteria. By participating in the NU Entry Scheme students are provided with the opportunity to develop skills necessary for successful undergraduate study and have the opportunity to earn points, equivalent to UCAS tariff points. As well as meeting core criteria, candidates meet one of a number of additional criteria to secure a place on the scheme including being in receipt of free school meals, experience of living in the care system, or a neighbourhood with low progression rates into HE. NU Entry currently works with 25 schools/colleges and engages with approximately 2000 school students with circa 280 students successfully completing the scheme, and we would hope to increase the number of partner schools/colleges, and extend the Scheme to Further Education Colleges to support full and part-time mature learners.

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

Financial Support

In line with the majority of HEIs in the UK, in 2015/16 the University charged a single Home full-time undergraduate tuition fee of £9,000 per year. Widening participation continues to have a high priority at Northumbria and is core of our approach to student recruitment. In 2015/16, having experienced four years' intake under the new regime for tuition fee charging, expenditure on scholarships and bursaries to support student access and retention was almost £23m. The University's bursary support was available to all eligible students for each year of study based on £3k per annum bursaries for eligible full-time undergraduates with a household income up to £16k per annum, and £1k for those with a household income of £16,001-25k. Northumbria offers academic scholarships to attract the brightest students, where background is no barrier to support, with approximately one third of scholarships awarded going to students from the least affluent socio-economic groups. Academic scholarships have been awarded in 2015/16 to 1,400 students with a total value of £3.8m – approximately £1.3m (34%) of this will support under-represented groups.

Northumbria also recognises the need for increased flexibility on pathways into our programmes, as a means of widening participation. This includes the development of a range of Foundation Year programmes including in Engineering, Computing and Information Technology, Built and Natural Environment and Applied Sciences which enable students who have not met the requirements for direct entry onto the first year of a relevant degree programme, to progress onto this through the Foundation Year route. The success of the Foundation Year in supporting widening participation and progression onto Northumbria's degrees has led to the development of further Foundation Year programmes from 2016/17 in areas including Humanities and Business.

At Northumbria, we recognise that widening participation encompasses the entire student journey and is not confined to entry to HE and also relates to student retention on, and progression through, their programmes. At Northumbria we are committed to retaining our students and helping them stay on course. This is reflected in the revised financial support scheme in place for 2015/16 which represents a shift in the mix of spend, based on detailed analysis and consultation with representative groups. This package includes an Undergraduate scholarship scheme for returning students who achieve good grades in their first year. Although the net effect is an overall reduction in bursary expenditure based upon household income, there remains a strong commitment to support those in the lowest income bracket £0-16K. Overall expenditure as a proportion of additional fee income remains high.

Research

An important element of the advancement education is the creation of new knowledge and insights through its research. In 2015/16 Northumbria launched eight Multi-Disciplinary Research Themes of Bioeconomy, Digital Living, Extreme Environments, Future Engineering, Humanities, Integrated Health and Social Care, the Centre for Environmental and Global Justice and Critically Aware Design Innovation. These themes are intended to create distinctive and ground-breaking research, the outcomes of which will support a range of charitable purposes including the advancement of health and saving lives, the prevention or relief of poverty, the advancement of environmental protection and improvement, the advancement of human rights, conflict resolution or reconciliation and the advancement of arts, culture, heritage or science.

The Integrated Health and Social Care theme supports the advancement of health and saving lives. This encompasses research to develop and test interventions designed to optimise the health and wellbeing of individuals and groups throughout the life-course, as well as exploring and analysing institutional structures involved in shaping interventions through associated health, educational, economic and social impact. Over £15m of research grants has been secured in recent years to explore different aspects of this question. Our main areas of research activity in this area are: Creative Health Interventions and Wellbeing Technologies in Context; Schools and Vulnerable Populations; Family and Social Justice; Physical Activity and Diet in the Prevention and Management of Chronic Disease Burden.

The Advancement of Citizenship or Community Development

In 2015/16 Northumbria continues to apply its pedagogic and research expertise in clinical legal education for the direct benefit of the community and professional and pastoral development of its students through the work of the Student Law Office, which was awarded a prestigious Queen's Anniversary Prize for Higher and Further Education in November 2014. In 2015/16 this student-led community engagement model has been replicated through the launch of the Business Clinic. Run through Newcastle Business School, the scheme enables final year Undergraduate and Masters degree students to provide consultancy advice to a range of clients, from multi-national companies through to Small and Medium Enterprises (SMEs) and not-for-profit organisations.

Other Matters

As authorised in the Instrument of Government of the University and complying with HEFCE and Charity Commission requirements, Northumbria remunerates a number of its trustees who are not employed by the University. The Chair of the Board and the chairs of the Board's corporate committees: Audit, Employment and Finance, Remuneration and Strategic Performance receive remuneration for their trustee roles to reflect the additional responsibilities and duties associated with these roles. All Governors are entitled to reimbursement of out-of-pocket expenses incurred in discharging their responsibilities, which are disclosed in Note 6 to the Financial Statements.

In May 2016, the Trustees of the University agreed that it was in the best interests of the University to further its charitable objects to adopt a corporate position by the Board to advocate the position that the UK remains within the European Union (EU) and to participate in proportionate activity to support this outcome ahead of the referendum on 23 June 2016.

Statement of Corporate Governance and Internal Control

Corporate Governance Statement

The University of Northumbria at Newcastle is a Higher Education Corporation (HEC), incorporated following enactment of the Education Reform Act 1988 and granted 'university' title and associated powers in the Further and Higher Education Act 1992. The Instrument and Articles of Government set out the objects, powers and constitution of the Board of Governors, Academic Board and the Vice-Chancellor and Chief Executive. The Instrument was last amended by Order of the Privy Council in 2012. The Board of Governors confirms that it complies with the primary elements of the *HE Code of Governance* published by the Committee of University Chairs (CUC) in December 2014.

The Board of Governors and its Committees

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

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

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

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

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

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

- **Nominations Committee** makes recommendations to the Board on its membership and those of its committees, the development of the members and oversees the recruitment process for independent governors.
- **Audit Committee** provides assurance to the Board on the adequacy of the University's internal and external audit, risk management, value for money, and data quality and assurance arrangements.
- **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.
- **Strategic Performance Committee** supports the University Executive in monitoring performance against the Corporate Strategy 2013-18, and review of the strategic plans beneath it.
- **Chaired by the Senior Independent Governor,** Remuneration Committee oversees the remuneration policy, base pay and performance incentive scheme outcomes of senior staff.
- **Academic Board** is chaired by the Vice-Chancellor and Chief Executive and advises him on matters of academic strategy and policy. Its remit includes academic quality and standards and enhancement, the student experience and research and innovation activities. Its work is supported by a number of sub-committees.

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

The Board of Governors is responsible for ensuring that executive management maintain proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University. The Financial Statements are prepared in accordance with HEFCE's Account Directions for 2015/16, the *Statement of Recommended Practice: Accounting in Further and Higher Education (2014)* and other relevant accounting and financial reporting standards, including the FRS102 standard. The specific terms and conditions of the *Memorandum of Assurance and Accountability* require that Financial Statements are prepared for the University each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

The Financial Statements for 2015/16 have been prepared by the Chief Operating Officer on behalf of the Vice-Chancellor and Chief Executive and, ultimately the Board of Governors, and reviewed by the Employment and Finance Committee and the Audit Committee and supported by an opinion from the external auditors. On the basis of this review process, the Financial Statements confirm that:

- suitable accounting policies are selected and applied consistently in accordance with UK general accepted accounting principles and the *Statement of Recommended Practice: Accounting in Further and Higher Education (2014)* and relevant legislation;
- judgments 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 are prepared on the 'going concern' basis.

The Board has taken reasonable steps, through the assurance received through its committees and the Vice-Chancellor and Chief Executive, to ensure:

- funds from HEFCE are used only in accordance with provisions of the Further and Higher Education Act 1992, the HEFCE *Memorandum of Assurance and Accountability*, 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) from public funds.

Statement on Internal Control

1. The Statement on Internal Control (SIC) has been produced in line with HEFCE's Accounts Directions for 2015/16 and informed by best practice in other sectors including the Financial Reporting Council's *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014)*. This Statement confirms that the Board is responsible for ensuring that a sound system of internal control and robust risk management arrangements are maintained.

2. In line with HEFCE requirements and the *HE Code of Governance (2014)*, the Board of Governors has received assurance that appropriate that an effective system for managing risk is in place across the University. The Board and the University Executive set the tone for risk management across the University, through their respective oversight and ownership of corporate risks related to the full range of University activities including governance, management, quality, finance and reputation. These are reflected in, reported on and reviewed through the Corporate risk register covering a range of strategic, reputational and compliance risks, under which sit Faculty and Service risk registers covering business and operational risks. Management responsibility for risk rests with the Vice-Chancellor and Chief Executive, who allocates University Executive owners of each corporate risk, each of whom owns Faculty and Service level risks within their portfolios. The Board seeks assurance, including through Audit Committee, and direct reports to itself that a sound and embedded risk framework is in place with clear responsibilities owned by the University Executive.

3. The Risk and Assurance Framework clearly articulates and integrates the University's approach to risk, and wider internal control arrangements including data assurance, business assurance, the corporate governance policy framework and arrangements for internal and external audit. The auditors produce risk-based annual and longer-term programmes of work agreed by the University Executive and Audit Committee. The University's system of internal control is risk-based, acknowledging that internal control systems cannot eliminate risks, in line with the 'likelihood' and 'impact' methodology of the Corporate Risk Register. The University's system of internal control is 'protective' in helping manage and mitigate the risks of loss, misuse or misappropriation of public, private and other funds and assets for which the Board is responsible. The internal control system is also 'proactive' in Audit Committee seeking assurance, principally through the University Executive, and the internal and external auditors, on the adequacy and effectiveness of the University's internal control and risk management arrangements. The system of internal control at the University is supported by a 'no surprises' culture, ensuring control issues are reported to the University Executive and the Board and its committees in a timely, transparent and effective manner.

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

   i. oversight of a Scheme of Delegation which clarifies delegated authorities for key decisions of its Committees, University Executive and other staff;

   ii. consideration of the full Corporate Risk Register, including approval of revisions to the content or status of risks and their controls;

   iii. the Corporate Risk summary dashboard is reviewed as part of the agenda for each meeting of the Audit, Employment and Finance and Strategic Performance committees, to evaluate whether the status of corporate risks have been impacted by committee discussions and decisions;

iv. Board review and approval of the accountability returns submitted to HEFCE;

v. oversight of a Strategic Review of Health and Safety prompted by a serious health and safety incident at the University in the previous financial year. The review was led by the University Executive and overseen by the Audit Committee on the Board's behalf. This has led to a range of control improvements around health and safety policy, risk-assessment, staff training, infrastructure and senior staffing;

vi. external and internal data assurance and quality activities to inform judgments on the completeness and accuracy of returns submitted to a range of bodies, including HEFCE and HESA, alongside thematic data review exercises;

vii. work undertaken to develop and demonstrate the University's arrangements for VfM including annual and interim reporting on this to Audit Committee in 2015/16.

A review of key University risks is proposed for 2016/17 in conjunction with Audit Committee.

5. On behalf of the Board of Governors, the Audit Committee and the University Executive, an annual review of the University's systems of internal control has been conducted. Assurance sources for this review include internal and external audit reports, feedback from inspections, internal monitoring systems and reports on any incidents or events that have highlighted internal control weaknesses. This is supported by the 2015/16 Internal Audit Opinion that the overall internal control environment is effective. Whilst a number of improvements to internal control systems have been identified from specific areas of audit, no significant internal control weaknesses have been detected.

Chris Sayers

Chair of the Board of Governors

21 November 2016

Professor Andrew Wathey

Vice-Chancellor and Chief Executive

Register of Governors and Professional Advisors

Chancellor

The Baroness Grey-Thompson DBE

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.

Alison Allden OBE	(Independent Governor)
Craig Apsey[1]	(Independent Governor)
James Bromiley	(Independent Governor)
David Clipsham	(Senior Independent Governor)
Alasdair Corfield	(Independent Governor)
Adam Crawley	(President, Students' Union)
Peter Donkin	(Elected Professional Support Staff Representatives)
Tom Harrison[2]	(Independent Governor)
Dr Graham Hillier	(Independent Governor)
Dr Michael Hill[3]	(Elected Academic Staff Representative)
Joe Holt	(Nominated Students' Union Representative)
Dr Alison Machin	(Academic Board Nominee)
Sally Pelham	(Independent Governor)
Nick Pope[4]	(Independent Governor)
David Price	(Independent Governor)
Amy Rice-Thomson	(Independent Governor)
Chris Sayers	(Pro-Chancellor and Chair of the Board)
Adam Serfontein	(Pro-Chancellor and Deputy Chair of the Board)
Christine Sorensen	(Academic Board Nominee)
Claire Templeton	(Independent Governor)
Helen Thorne MBE[5]	(Independent Governor)
Professor Andrew Wathey CBE	(Vice-Chancellor and Chief Executive)
David Warcup QPM	(Independent Governor)
Dr Jeya Wilson	(Independent Governor)

Secretary to the Board of Governors

Dr Adam Dawkins

Audit Committee Members

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

[1] Leave of absence granted from 07 July 2015 and throughout the reporting period.
[2] Appointed on 18 January 2016
[3] Elected on 10 December 2015
[4] Appointed on 18 January 2016
[5] Appointed on 01 June 2016

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
Sutherland Building
College Street
Newcastle upon Tyne
NE1 8ST

Telephone +44 (0)191 227 4520

External Auditor

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

Internal Auditor

PricewaterhouseCoopers LLP
Central Square South
Orchard St
Newcastle upon Tyne
NE1 3AZ

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

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

Handelsbanken
Carlton House
2 Manor Road
Tynemouth
NE30 4RH

Financial Review

Financial Highlights

The University's financial performance for 2015/16 can be summarised as follows:

- Total income of £246.8m.
- Operating surplus of £0.6m.
- £20.9m cash generated from operating activities.
- Cash at Bank and Short Term Deposits totalling £66.9m.
- £15.8m investment in capital expenditure.
- Net assets of £89.7m.

Financial Performance

The Financial Statements have been prepared in accordance with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education and also comply with the HEFCE Accounts Directions. A reconciliation showing the impact of the 2015 SORP on prior year results and equity can be found in Note 28. The consolidated results of the University are summarised below:

	2015/16 £m	2014/15 £m
Income	**246.8**	240.0
Expenditure	**(246.2)**	(245.4)
Surplus/(Deficit) on Continuing Operations Before Disposal of Fixed Assets	**0.6**	(5.4)
Gain on Disposal of Fixed Assets	–	1.7
Surplus/(Deficit) on Continuing Operations After Disposal of Fixed Assets	**0.6**	(3.7)
Surplus Percentage	***0.2%***	*-1.5%*

Income

Total income in the year was £246.8m representing an increase of £6.8m (2.8%) over the previous year. The main movements year on year were:

- An increase of £5.5m (3.2%) in Tuition Fees and Education Contracts to £178.7m. This includes an increase of £10.5m (9.0%) in Full-Time Home and EU Students and reductions of £3.5m (13.3%) in International students and of £1.7m (7.7%) in the Nurse Training Contract.
- An increase of £1.6m (7.2%) in Funding Body Grants to £24.6m. This was largely due to the recognition of £2.8m STEM Capital Grant.

Expenditure

Total expenditure was £246.2m, an increase of £0.8m (0.3%) in the year.

- Staff Costs at £140.7m increased by £0.2m (0.1%). However, within this movement; Salaries reduced by £2.0m, reflecting the ongoing restructuring savings; Social Security Costs increased by £0.7m due largely to the NI increase from 1 April 2016 as a result of the end of contracting out; Pension Costs increased by £1.5m, mainly reflecting increases in the USS charge through rate and increased heads and an increase in the FRS 102 Service charge for LGPS members.
- Other Operating Expenses showed a slight increase year on year of £1.2m (1.4%) to £83.0m.

Surplus

The net outcome was a surplus of £0.6m for the year.

Balance Sheet

The Net Assets of the University group stood at £89.7m, a reduction of £51.7m in the year. This was mainly due to the movement in the net LGPS Pension Liability which increased by £47.8m. Whilst asset performance was strong in the year, increasing by £25.6m, this was more than offset by an increase in the fund liabilities of £73.4m which was driven by the continued reduction in the Discount Rate (reflecting the reduction in high quality bond yields over the same period) which had the effect of increasing the value of future pension liabilities. The UK's decision to leave the EU has contributed towards the continued reduction in the Discount Rate and it is anticipated that further reductions are likely which would further increase the net pension liability.

Capital Programme

During the year, £15.8m was invested in the University's facilities and infrastructure. This spend comprised of; £5.8m on Estate refurbishment; £5.4m on IT equipment and systems; £3.3m on STEM facilities; £1.3m on Faculty Teaching and Research equipment.

The University has also embarked on its plan to spend £52.0m over the next two years to make significant improvements to its Newcastle city centre campus. This will involve both renovating existing buildings and constructing two new state-of-the-art buildings to bring major benefits for students on computing and information sciences and architecture and built environment courses.

Cash Flow

Cash generation remains strong with £20.9m coming from operating activities during the year. Some of the major inflows/outflows were; £6.7m to service borrowings; £15.8m Capital Expenditure; £5.0m placed on short term deposit; £4.1m HEFCE capital grants received. There was an overall reduction in cash and cash equivalents of £2.1m by the year end, leaving the Cash and Bank balance at £51.9m and £15.0m on Short Term Deposits.

Treasury Management

The University has a £91.0m Facility Agreement with its main banker, Barclays Bank plc, set up in September 2014. This comprises of a £76.0m, 23-year Term Loan and a £15.0m, five year Revolving Credit Facility (RCF), with any outstanding balances to be repaid at term end as there is no option to convert into a term loan. The balance on the loan element at 31 July 2016 was £70.2m and there had been no funds drawn down against the RCF element of the facility. The final loan repayment will occur in August 2037 and the RCF will expire in September 2019. The University has two fixed rate agreements in place to cover the loan producing a coverage of 87.9% at the year end.

Going Concern

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

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

Financial:

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

Non-Financial:

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

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

We have audited the financial statements of Northumbria University for the year ended 31 July 2016 set out on pages 28 to 64. 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) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 21 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 Annual Report 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 Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements have been met.

Paul Moran

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
30 November 2016

Notes:

(a) The maintenance and integrity of the Northumbria University website is the responsibility of the Board of Governors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Principal Accounting Policies

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

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with applicable accounting standards. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets which are now held at deemed cost and derivative financial instruments). An explanation of how the transition to the new SORP has effected the financial performance of the group and the University is provided in Note 28.

Basis of Consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions. Associated companies and joint ventures are accounted for using the equity method.

Income Recognition

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

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

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

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

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

Other grants and donations from non – government sources, including research grants from non-government sources, are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the Balance Sheet and released to the Consolidated Statement of Income and Expenditure in line with such conditions being met.

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

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

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

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

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

1. **Restricted donations** – the donor has specified that the donation must be used for a particular objective.

2. **Unrestricted permanent endowments** – the donor has specified that the fund is to be permanently Invested to generate an income stream for the general benefit of the University.

3. **Restricted expendable endowments** – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into Income.

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

Capital Grants

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

Investment income is credited to the statement of comprehensive income on a receivable basis.

Accounting for Retirement Benefits

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

The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

The TPS and USS are multi-employer schemes for which it is not possible to identify the assets and liabilities to University members due to the mutual nature of the scheme and therefore the schemes are accounted for as a defined contribution retirement benefit schemes.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

The University is able to identify its shares of assets and liabilities of the TWPF LGPS and accordingly reports it as a defined benefit scheme under the new SORP.

Defined Contribution Plan

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

Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans (and other post-employment benefits is calculated (separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) (and any unrecognised past service costs) are dedicated. The liability discount rate is the yield at the balance sheet date on M credit rated bonds denominated in the currency of, and having that have maturity dates approximating to the terms the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the University, the recognised asset is limited to the total of any unrecognised past service costs and) the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

Operating Leases

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

Foreign Currency

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

Tangible Fixed Assets

Cost or Deemed Cost

Land & Buildings are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Certain items of Land & Buildings that had been revalued to Depreciated Replacement Cost or Existing Use Value prior to 1 August 2014, the date of transition to SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that last revaluation.

Under FRS 102 the University has decided to discontinue the policy of periodic valuations of its property estate, the last one being July 2013. However, where appropriate, the University will continually assess the carrying value of its property assets and where necessary will reflect any material impairments in value.

Costs incurred in relation to land & buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

Equipment, including Motor Vehicles, Computers, IT Infrastructure and Furniture are stated at cost.

Depreciation

Freehold land is not depreciated as it is considered to have an indefinite useful life.

Freehold buildings are depreciated on a straight line basis over their expected useful lives as up to maximum of 50 years.

Freehold refurbishments are depreciated on a straight line basis over 10 years.

Leasehold land & buildings are depreciated over the life of the lease up to a maximum of 50 years.

Leasehold refurbishments are depreciated over the remaining life of the lease up to a maximum of 10 years.

No depreciation is charged on assets in the course of construction.

Equipment is depreciated as follows:

Computers and IT Infrastructure	3 years
Motor Vehicles	4 years
All other Equipment	5 years

Intangible Assets

Software and related costs (excluding feasibility costs) are amortised over a period of between 3 to 5 years.

Asset Capitalisation Policy

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

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

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Borrowing Costs

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

Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

Investments

Non-current investments are held on the Balance Sheet at amortised cost less impairment.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost in the University's accounts.

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

Stock

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

Cash and Cash Equivalents

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

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

Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 28.

Application of first time adoption grants certain exemption from the full requirements of the 2015 SORP in the transition period. The following exemptions have been taken into these financial statements:

Revaluation as deemed cost has been used for properties.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011, It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs.

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

Derivatives

Derivatives are held on the Balance Sheet at fair value. The University has adopted and complied with the requirements of hedge accounting and as a result movements in fair value are recorded within other Comprehensive Income.

Reserves

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

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

Financial Statements

Consolidated and University Statement of Comprehensive Income and Expenditure Year Ended 31 July 2016

	Note	Year ended 31 July 2016 Consolidated £'000	Year ended 31 July 2016 University £'000	Year ended 31 July 2015 Consolidated £'000	Year ended 31 July 2015 University £'000
Income					
Tuition Fees and Education Contracts	1	**178,749**	**178,749**	173,230	173,230
Funding Body Grants	2	**24,605**	**24,605**	22,961	22,961
Research Grants & Contracts	3	**5,779**	**5,779**	5,330	5,330
Other Income	4	**37,259**	**36,517**	38,123	37,332
Investment Income	5	**387**	**386**	364	364
Total Income		**246,779**	**246,036**	240,008	239,217
Expenditure					
Staff Costs	6	**140,673**	**140,047**	140,480	139,917
Other Operating Expenses		**83,026**	**82,909**	81,862	81,789
Depreciation	11	**15,648**	**15,648**	15,366	15,366
Impairment of Tangible Fixed Assets		–	–	850	850
Interest & Other Finance Costs	8	**6,864**	**6,864**	6,889	6,889
Total Expenditure		**246,211**	**245,468**	245,447	244,811
Surplus/(Deficit) before other gains/(losses)		**568**	**568**	(5,439)	(5,594)
Gain on Disposal of Tangible Fixed Assets		**30**	**30**	1,710	1,710
Surplus/(Deficit) Before Tax		**598**	**598**	(3,729)	(3,884)
Taxation		–	–	–	–
Surplus/(Deficit) For The Year		**598**	**598**	(3,729)	(3,884)
Actuarial Losses in respect of Pensions		**(44,220)**	**(44,220)**	(11,472)	(11,472)
Change in Fair Value of Hedging Financial Instruments		**(8,055)**	**(8,055)**	(3,210)	(3,210)
Total Comprehensive Expenditure for the Year		**(51,677)**	**(51,677)**	(18,411)	(18,566)
Represented by					
Unrestricted Comprehensive Expenditure for the Year		**(51,677)**	**(51,677)**	(18,411)	(18,566)

All items of Income and Expenditure relate to continuing activities.

Consolidated Statement of Changes in Reserves
Year ended 31 July 2016

	Income and Expenditure Account *Unrestricted* £'000	Hedging Reserve £'000	Total £'000
Balance at 1 August 2014	**176,819**	**(17,040)**	**159,779**
Deficit from the Income and Expenditure Statement	(3,729)	-	(3,729)
Actuarial Losses on Pension Schemes	(11,472)	-	(11,472)
Change in Fair Value of Hedging Financial Instruments	-	(3,210)	(3,210)
Total Comprehensive Expenditure for the Year	(15,201)	(3,210)	(18,411)
Balance at 1 August 2015	**161,618**	**(20,250)**	**141,368**
Surplus from the Income and Expenditure Statement	598	-	598
Actuarial Losses on Pension Schemes	(44,220)	-	(44,220)
Change in Fair Value of Hedging Financial Instruments	-	(8,055)	(8,055)
Total Comprehensive Expenditure for the Year	(43,622)	(8,055)	(51,677)
Balance at 31 July 2016	**117,996**	**(28,305)**	**89,691**

University Statement of Changes in Reserves
Year ended 31 July 2016

	Income and Expenditure Account *Unrestricted* £'000	Hedging Reserve £'000	Total £'000
Balance at 1 August 2014	**176,973**	**(17,040)**	**159,933**
Deficit from the Income and Expenditure Statement	(3,884)	-	(3,884)
Actuarial Losses on Pension Schemes	(11,472)	-	(11,472)
Change in Fair Value of Hedging Financial Instruments	-	(3,210)	(3,210)
Total Comprehensive Expenditure for the Year	(15,356)	(3,210)	(18,566)
Balance at 1 August 2015	**161,617**	**(20,250)**	**141,367**
Surplus from the Income and Expenditure Statement	598	-	598
Actuarial Losses on Pension Schemes	(44,220)	-	(44,220)
Change in Fair Value of Hedging Financial Instruments	-	(8,055)	(8,055)
Total Comprehensive Expenditure for the Year	(43,622)	(8,055)	(51,677)
Balance at 31 July 2016	**117,995**	**(28,305)**	**89,690**

Consolidated and University Balance Sheets
Year Ended 31 July 2016

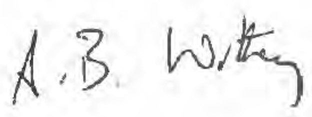
	Note	As at 31 July 2016 Consolidated £'000	As at 31 July 2016 University £'000	As at 31 July 2015 Consolidated £'000	As at 31 July 2015 University £'000
NON-CURRENT ASSETS					
Intangible Assets	10	**5,418**	**5,418**	3,369	3,369
Tangible Fixed Assets	11	**314,294**	**314,294**	317,211	317,211
		319,712	**319,712**	320,580	320,580
CURRENT ASSETS					
Stocks		**11**	**11**	101	101
Trade & Other Receivables	15	**11,209**	**11,206**	10,389	10,400
Investments	16	**15,000**	**15,000**	10,000	10,000
Cash and cash equivalents		**51,945**	**51,941**	54,000	53,995
		78,165	**78,158**	74,490	74,496
Creditors: Amounts falling due within one year	17	**(60,173)**	**(60,167)**	(61,460)	(61,467)
NET CURRENT ASSETS		**17,992**	**17,991**	13,030	13,029
TOTAL ASSETS LESS CURRENT LIABILITIES		**337,704**	**337,703**	333,610	333,609
Creditors: Amounts falling due after more than one year	18	**(92,493)**	**(92,493)**	(87,611)	(87,611)
Provisions					
Pension Provisions	19	**(149,552)**	**(149,552)**	(101,104)	(101,104)
Other Provisions	19	**(5,968)**	**(5,968)**	(3,527)	(3,527)
TOTAL NET ASSETS		**89,691**	**89,690**	141,368	141,367
Unrestricted Reserves					
Income & Expenditure Reserve – Unrestricted		**117,996**	**117,995**	161,618	161,617
Hedging Reserve		**(28,305)**	**(28,305)**	(20,250)	(20,250)
TOTAL RESERVES		**89,691**	**89,690**	141,368	141,367

The Financial Statements on pages 28 to 64 were approved by the Board of Governors on 21 November 2016 and signed on their behalf by:

Chris Sayers

Chair of the Board of Governors

21 November 2016



Professor Andrew Wathey

Vice-Chancellor and Chief Executive

Consolidated and University Cash Flow Year Ended 31 July 2016

		Year Ended 31 July 2016		Year Ended 31 July 2015	
	Note	**Consolidated £'000**	**University £'000**	Consolidated £'000	University £'000
Cash Flow From Operating Activities					
Surplus/(Deficit) for the Year		**598**	**598**	(3,729)	(3,884)
Adjustment for Non-cash Items					
Depreciation	11	**15,648**	**15,648**	15,366	15,366
Impairment of Tangible Fixed Assets		**-**	**-**	850	850
Amortisation of Intangible Assets	10	**1,027**	**1,027**	866	866
Pension Adjustments		**450**	**450**	(494)	(494)
Decrease in Stock		**90**	**90**	47	47
Increase in Debtors		**(820)**	**(806)**	(1,342)	(1,216)
(Decrease)/Increase in Creditors		**(1,070)**	**(1,079)**	1,696	1,721
Increase in Pension Provision		**387**	**387**	766	766
Increase/(Decrease) in Other Provisions		**2,441**	**2,441**	(18)	(18)
Adjustment for Investing or Financing Activities					
Investment Income	5	**(387)**	**(386)**	(364)	(364)
Interest Payable	8	**6,864**	**6,864**	6,889	6,889
Profit on Sale of Fixed Assets		**(30)**	**(30)**	(1,710)	(1,710)
Capital Grant Income		**(4,299)**	**(4,299)**	(1,657)	(1,657)
Net Cash Inflow from Operating Activities		**20,899**	**20,905**	17,166	17,162
Cashflows from Investing Activities					
Proceeds from sales of Fixed Assets		**30**	**30**	7,660	7,660
Capital Grants Receipts		**4,099**	**4,099**	2,809	2,809
Investment Income		**387**	**386**	364	364
Payments made to acquire Intangible Assets		**(3,076)**	**(3,076)**	(1,672)	(1,672)
Payments made to acquire Tangible Fixed Assets		**(12,731)**	**(12,731)**	(12,493)	(12,493)
New Deposits		**(5,000)**	**(5,000)**	(10,000)	(10,000)
		(16,291)	**(16,292)**	(13,332)	(13,332)
Cashflows from Financing Activities					
Interest Paid		**(3,473)**	**(3,473)**	(3,546)	(3,546)
New Unsecured Loans		**106**	**106**	-	-
Repayments of Amounts Borrowed		**(3,300)**	**(3,300)**	(2,551)	(2,551)
		(6,667)	**(6,667)**	(6,097)	(6,097)
Decrease in Cash & Cash Equivalents in the year		**(2,059)**	**(2,054)**	(2,263)	(2,267)
Cash & cash equivalents at the beginning of the year	20	**54,000**	**53,995**	56,263	56,262
Cash & cash equivalents at the end of the year	20	**51,941**	**51,941**	54,000	53,995

Notes to the Financial Statements

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
1 TUITION FEES & EDUCATION CONTRACTS				
Full Time Home & EU Students	**126,548**	**126,548**	116,073	116,073
Part Time Home & EU Students	**5,111**	**5,111**	4,960	4,960
International Students	**22,909**	**22,909**	26,414	26,414
Short Courses	**2,589**	**2,589**	2,645	2,645
Nurse Education Training	**20,831**	**20,831**	22,570	22,570
Other Fees	**761**	**761**	568	568
	178,749	**178,749**	173,230	173,230

2 FUNDING BODY GRANTS	Year Ended 31 July 2016		Year Ended 31 July 2015	
Recurrent Grants	**Consolidated £'000**	**University £'000**	Consolidated £'000	University £'000
Higher Education Funding Council	**18,122**	**18,122**	18,167	18,167
National College for Teaching & Leadership	**1,030**	**1,030**	1,025	1,025
Capital Grants	**4,299**	**4,299**	1,653	1,653
Specific Grants				
Higher Education Innovation Fund	**625**	**625**	1,251	1,251
Higher Education Academic Subject Centres	**529**	**529**	865	865
	24,605	**24,605**	22,961	22,961

3 RESEARCH GRANTS AND CONTRACTS	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
Research Councils	**1,865**	**1,865**	1,676	1,676
Research Charities	**386**	**386**	395	395
European Commission	**901**	**901**	1,273	1,273
Other	**2,627**	**2,627**	1,986	1,986
	5,779	**5,779**	5,330	5,330

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 £6,419k (2015: £5,723k). In accordance with FRS 102, the University has only recognised income and costs to the extent that the University acts as the principal in the contracts. Total research grants and contracts income (including that receivable from the Funding Council in Note 1 above) amounted to £12,239k (2015: £8,473k).

4 OTHER INCOME	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
Residences, Catering & Conferences	**16,342**	**16,342**	18,188	18,188
Collaborative Ventures	**7,553**	**7,553**	6,911	6,911
Other Academic Income	**888**	**888**	2,244	2,244
Rent & Rates	**1,260**	**1,345**	1,336	1,421
Sports Memberships	**996**	**996**	1,194	1,194
IT Helpline	**1,196**	**1,196**	1,214	1,214
Other	**9,024**	**8,197**	7,036	6,160
	37,259	**36,517**	38,123	37,332

5 INVESTMENT INCOME	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
Investment Income on Short Term Deposits	**387**	**386**	364	364
	387	**386**	364	364

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
6 STAFF COSTS				
Salaries	**111,149**	**110,586**	113,149	112,639
Social Security Costs	**10,359**	**10,325**	9,645	9,614
Movements on USS Provision (Note 19)	**655**	**655**	1,038	1,038
Other Pension Costs (Note 24)	**18,510**	**18,481**	16,648	16,626
	140,673	**140,047**	140,480	139,917

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Emoluments of the Vice-Chancellor		
Salary	**243**	240
Bonus	**20**	22
Benefits in kind	**3**	3
	266	265
Pension Contributions to USS	**40**	38
	306	303

	CONSOLIDATED	
Remuneration of other Higher Paid Staff (Excluding Employers' Pension Contributions)	**Staff FTE 2016**	Staff FTE 2015
£100,000 – £109,999	**2**	2
£110,000 – £119,999	**4**	4
£120,000 – £129,999	**5**	6
£130,000 – £139,999	**–**	1
£140,000 – £149,999	**2**	2
£150,000 – £159,999	**1**	–
£200,000 – £209,999	**1**	1

	CONSOLIDATED	
Average Staff Numbers by major category (expressed as full time equivalents (FTE))	**Staff FTE 2016**	Staff FTE 2015
Academic	**1,236**	1,251
Academic Support	**350**	345
Student Support	**228**	229
Estates and Accommodation	**376**	439
Administration and Central Services	**520**	543
	2,710	2,807

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Compensation for loss of office payable to a senior post-holder:		
Compensation payable recorded within Staff Costs	**–**	50

6 STAFF COSTS (continued)

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. The Vice-Chancellor has the overarching responsibility for maintaining and promoting the institution's efficiency, academic excellence and financial robustness. He is supported by the University Executive which has overall responsibility for delivery of the Corporate Strategy.

The University Executive advises the Vice-Chancellor in his strategic, policy and executive management responsibilities, co-ordinating and integrating activities through individual portfolios of responsibility and the recommendations collectively made or supported by the Executive group. The University therefore defines its key management personnel as those employees who are or have been members of the University Executive team during the year.

	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Key Management Personnel Compensation	**2,484**	2,580

Chair Remuneration

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

During the year, the following governors were remunerated:

Christopher Sayers, Pro-Chancellor and Chair of the Board of Governors – £20,000 (2015: £20,000).

Adam Serfontein, Pro-Chancellor and Independent Governor – £7,500 (2015: £7,500).

David Clipsham, Senior Independent Governor and Chair of Remuneration Committee – £7,500 (2015: £7,500).

Alasdair Corfield, Independent Governor and Chair of Audit Committee – £7,500 (2015: £7,500).

Graham Hillier, Independent Governor and Chair of Employment & Finance Committee – £7,500 (2015: £nil).

All payments made have been duly approved by the Board of Governors.

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 2016, 9 Governors claimed a total of £4,987 in expenses (2015: 10 Governors claimed a total of £8,813).

7 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
Academic Faculties	**95,818**	**95,818**	102,249	102,249
Academic Services	**36,687**	**36,687**	23,180	23,180
Administration	**65,048**	**64,305**	68,615	67,979
Premises	**30,535**	**30,535**	32,021	32,021
Residences, Catering & Conferences	**9,941**	**9,941**	11,327	11,327
Research Grants and Contracts	**4,341**	**4,341**	4,168	4,168
Other Expenses	**3,841**	**3,841**	3,887	3,887
	246,211	**245,468**	245,447	244,811

7 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY (continued)	Year Ended 31 July 2016 Consolidated £'000	Year Ended 31 July 2016 University £'000	Year Ended 31 July 2015 Consolidated £'000	Year Ended 31 July 2015 University £'000
Other Operating Expenses Include:				
External Auditor's remuneration in respect of Audit Services	**65**	**53**	65	53
External Auditor's remuneration in respect of Non-Audit Services	**17**	**17**	17	17
Operating Lease Rentals:				
Land & Buildings	**3,834**	**3,834**	5,186	5,186
Plant & Equipment	**231**	**231**	122	122

8 INTEREST & OTHER FINANCE COSTS	Year Ended 31 July 2016 Consolidated £'000	Year Ended 31 July 2016 University £'000	Year Ended 31 July 2015 Consolidated £'000	Year Ended 31 July 2015 University £'000
Loan interest	**3,473**	**3,473**	3,546	3,546
On LGPS Defined Benefit Scheme	**3,273**	**3,273**	3,162	3,162
On USS Deficit Recovery Plan	**37**	**37**	37	37
On Enhanced Pension Scheme	**81**	**81**	144	144
	6,864	**6,864**	6,889	6,889

9 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.

10 INTANGIBLE ASSETS	CONSOLIDATED AND UNIVERSITY Software £'000	CONSOLIDATED AND UNIVERSITY Software Assets Under Development £'000	CONSOLIDATED AND UNIVERSITY Total £'000
Cost at 1 August 2015	2,579	1,799	4,378
Additions in year	–	3,076	3,076
Transfer	1,238	(1,238)	–
Cost at 31 July 2016	3,817	3,637	7,454
Amortisation at 1 August 2015	1,009	–	1,009
Charge for Year	1,027	–	1,027
Amortisation at 31 July 2016	2,036	–	2,036
Net Book Value at 31 July 2016	**1,781**	**3,637**	**5,418**
Net Book Value at 31 July 2015	1,570	1,799	3,369

The amortisation period is between 3 and 5 years.

11 TANGIBLE FIXED ASSETS	Freehold Land & Buildings £'000	Long Leasehold Buildings £'000	Short Leasehold Improvements £'000	Equipment £'000	Assets Under Construction £'000	Total £'000
	CONSOLIDATED AND UNIVERSITY					
Cost at 1 August 2015	319,322	1,590	3,614	64,737	2,266	391,529
Additions in year	50	–	–	5,288	7,393	12,731
Transfers	4,757	–	165	922	(5,844)	–
Disposals	–	–	–	(221)	–	(221)
At 31 July 2016	324,129	1,590	3,779	70,726	3,815	404,039
Depreciation at 1 August 2015	18,978	124	2,858	52,358	–	74,318
Charge for Year	9,443	58	153	5,994	–	15,648
Disposals	–	–	–	(221)	–	(221)
At 31 July 2016	28,421	182	3,011	58,131	–	89,745
Net Book Value at 31 July 2016	**295,708**	**1,408**	**768**	**12,595**	**3,815**	**314,294**
Net Book Value at 31 July 2015	300,344	1,466	756	12,379	2,266	317,211

Certain items of tangible fixed assets (freehold and leasehold property) that had been revalued to fair value on or prior to the date of transition to the 2015 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that valuation.

Included in Freehold Land and Buildings is an amount of £4,000k (2015: £4,000k) relating to land held for sale. The basis of valuation is the anticipated net proceeds of sale, which therefore represents the residual value of the asset. Under the previous SORP, this was recorded under 'Assets Held for Sale' within 'Current Assets'.

12 NON-CURRENT ASSETS – HERITAGE ASSETS

The University owns a number of works of art and artefacts which have been donated to the University. These amounts have not been capitalised as gaining external valuations would be prohibitive in terms of cost relative to the anticipated value of these items.

13 NON-CURRENT INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The following companies are wholly owned subsidiaries of the University and are registered in England and Wales.

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

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

14 NON-CURRENT INVESTMENTS IN JOINT VENTURES

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
			551

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

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
15 TRADE AND OTHER RECEIVABLES				
Amounts falling due within one year				
Trade Receivables	**2,538**	**2,532**	1,441	1,438
Amounts Due from Subsidiary Undertakings	**–**	**847**	–	1,568
Prepayments and Accrued Income	**8,268**	**7,424**	8,639	7,085
Other Receivables	**403**	**403**	309	309
	11,209	**11,206**	10,389	10,400

16 CURRENT INVESTMENTS	As at 31 July 2016		As at 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
Short Term Cash Deposits	**15,000**	**15,000**	10,000	10,000
	15,000	**15,000**	10,000	10,000

Deposits are held with banks licensed by the Financial Services Authority with more than three months maturity at date of placement. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 1.1% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 229 days. The fair value of these deposits was not materially different from the book value.

17 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	As at 31 July 2016		As at 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
Bank Overdraft	**4**	**–**	–	–
Secured Loans	**3,300**	**3,300**	3,300	3,300
Unsecured Loans	**13**	**13**	–	–
Fixed Rate Hedging Instruments	**2,830**	**2,830**	2,864	2,864
Trade Payables	**11,479**	**11,469**	12,395	12,364
Amounts Owed to Subsidiaries	**–**	**63**	–	63
Social Security and Other Taxes Payable	**2,805**	**2,797**	2,722	2,715
Accruals & Deferred Income	**39,274**	**39,227**	38,995	38,977
Others Payables	**468**	**468**	1,184	1,184
	60,173	**60,167**	61,460	61,467

17 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

Deferred Income

Included with Accruals & Deferred Income are the following items of income which have been deferred until specific performance related conditions have been met.

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
Donations	**185**	**185**	235	235
Research grants Received on Account	**2,244**	**2,244**	1,924	1,924
Grant Income	**4,542**	**4,518**	4,378	4,366
Other Income	**15,907**	**15,901**	20,070	20,068
	22,878	**22,848**	26,607	26,593

18 CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
Fixed Rate Hedging Instruments	**25,475**	**25,475**	17,386	17,386
Secured Loans	**66,925**	**66,925**	70,225	70,225
Unsecured Loans	**93**	**93**	–	–
	92,493	**92,493**	87,611	87,611

Analysis of Secured & Unsecured Loans	**As at 31 July 2016**		As at 31 July 2015	
	Consolidated £'000	**University £'000**	Consolidated £'000	University £'000
Due Within one year or on demand	**3,313**	**3,313**	3,300	3,300
Due Between one and two years	**3,327**	**3,327**	3,300	3,300
Due Between two and five years	**9,966**	**9,966**	9,900	9,900
Due in five years or more	**53,725**	**53,725**	57,025	57,025
Due After more than one year	**67,018**	**67,018**	70,225	70,225
Total Secured & Unsecured Loans	**70,331**	**70,331**	73,525	73,525
Secured Loans repayable by 2037	**70,225**	**70,225**	73,525	73,525
Unsecured Loans repayable by 2020	**106**	**106**	-	-
Total Secured & Unsecured Loans	**70,331**	**70,331**	73,525	73,525

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

Included in Loans are the following:

Agreement/Lender	From	To	Interest Rate	Amount £'000
Barclays Bank plc				
Fixed Rate Hedge	1 August 2011	1 August 2036	5.72%	36,957
Fixed Rate Hedge	1 August 2012	1 August 2035	4.81%	24,762
Variable Rate	3 May 2016	31 July 2016	0.79%	8,506
Salix Finance				
Interest Free	1 October 2015	30 November 2020	0.00%	106
Total Secured & Unsecured Loans				**70,331**

The secured Barclays loan is a single indebtedness though it is priced across three tranches as shown in the above table. This loan is secured on certain freehold property assets.

The Salix Finance Loan is unsecured.

The Barclays loan is payable in equal quarterly instalments through to the final instalment payable in August 2037.

The Salix loan is payable in equal bi-annual instalments commencing in May 2017 through to the final instalment payable in November 2020.

At 31 July 2016 the aggregate fair value of the Barclays' hedge agreements was a liability of £28,305k (2015: £20,250k). These fair values are included in these financial statements as Fixed Rate Hedging Instruments under Creditors – Amounts Falling Due Within One Year and Creditors – Amounts Falling Due After More Than One Year. The increase in the liability has been recognised in equity using hedge accounting.

19 PROVISIONS

	CONSOLIDATED AND UNIVERSITY						
	Obligation to Fund Deficit on USS Pension £'000	Pension Enhancements on Termination £'000	Defined Benefit Obligations £'000	Total Pensions Provisions £'000	Leasehold Dilapidation £'000	Restructuring Provision £'000	Total Others £'000
At 1 August 2015	2,137	3,529	95,438	**101,104**	2,648	879	**3,527**
Utilised in year	(102)	(268)	–	**(370)**	(40)	(879)	**(919)**
Additions in year	794	221	47,803	**48,818**	840	2,520	**3,360**
At 31 July 2016	**2,829**	**3,482**	**143,241**	**149,552**	**3,448**	**2,520**	**5,968**

1. The USS liability arises from implementation of the 2015 deficit recovery plan which will involve an additional employer's contribution of 2.1% until March 2031.

2. In previous 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.

3. The Defined Benefit Obligation relates to the University's participation in the Tyne & Wear Pension Fund which provides defined pension benefits to non-academic staff. The scheme is regulated under the requirements of the Local Government Pension Scheme (LGPS). Details are included in Note 24.

4. This amount is being provided to meet the anticipated cost of exiting an office lease and property lease used for teaching in 2016 and an accommodation property lease in 2018.

5. The restructuring provision will meet the costs of staff reductions arising from the ongoing reorganisation of Professional Support and Academic Staff across University Services & Faculties which commenced in 2015/16 and will be complete by the end of 2016/17.

20 CASH AND CASH EQUIVALENTS

	As at 1 August 2015 £'000	Cash Flows £'000	**As at 31 July 2016 £'000**
Consolidated			
Cash and Cash Equivalents	54,000	(2,055)	**51,945**
Bank Overdraft	–	(4)	**(4)**
	54,000	(2,059)	**51,941**
University			
Cash and Cash Equivalents	53,995	(2,054)	**51,941**
	53,995	(2,054)	**51,941**

21 CAPITAL AND OTHER COMMITMENTS

	As at 31 July 2016 £'000	As at 31 July 2015 £'000
Commitments Contracted for	**8,473**	4,902

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

22 LEASE OBLIGATIONS

	Land & Buildings £'000	Plant & Other Machinery £'000	As at 31 July 2016 Total £'000	As at 31 July 2015 Total £'000
Payable during the year	**3,834**	**231**	**4,065**	5,308
Future minimum lease payments due:				
Not Later Than 1 Year	**3,968**	**247**	**4,215**	3,794
Later Than 1 year, not later than 5	**12,462**	**443**	**12,905**	13,229
Later than 5 year	**20,910**	**–**	**20,910**	23,656
Total Lease Payments Due	**37,340**	**690**	**38,030**	40,679

23 RELATED PARTIES

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

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Sales £'000	**Purchases £'000**	Sales £'000	Purchases £'000
All Party Parliamentary University Group	–	**1**	–	1
ARCH Northumberland Development Company	–	**20**	–	29
BALTIC Centre for Contemporary Art	–	**3**	–	149
BIM Academy (Enterprises) Ltd	**8**	**54**	16	85
British Telecommunications Plc	–	**43**	–	45
Building Futures East	**1**	–	5	–
Deloitte LLP	–	**1,687**	–	159
Higher Education Statistics Agency Ltd	–	**59**	–	62
NHS Newcastle Hospitals Foundation	**5**	–	–	68
Northumbria London Campus Limited	**666**	–	372	30
QAA	**1**	–	–	–
QA Group	**551**	**159**	–	–
Redcar & Cleveland Borough Council	**15**	–	14	–
Seven Stories	–	**2**	2	2
Student Finance England	–	**27**	–	29
Tees, Esk Valley Mental Health Trust	**4**	**118**	12	218
Turner Townsend	**16**	**261**	–	–
UCAS	**10**	**153**	3	190
University of Northumbria Students' Union	**1,037**	**2,171**	879	1,779
Universities UK	–	**1**	–	1

23 RELATED PARTIES (continued)

	As at 31 July 2016		As at 31 July 2015	
	Debtor	**Creditor**	Debtor	Creditor
	£'000	**£'000**	£'000	£'000
All Party Parliamentary University Group	–	–	–	1
ARCH Northumberland Development Company	–	**3**	–	3
BALTIC Centre for Contemporary Art	–	–	–	32
BIM Academy (Enterprises) Ltd	**2**	**1**	7	–
HESA	–	–	–	2
Leadership Foundation for Higher Education	–	–	–	17
NHS Newcastle Hospitals Foundation	–	–	–	13
QA Group	**2**	**20**	–	–
Redcar & Cleveland Borough Council	**1**	–	–	–
Tees, Esk Valley Mental Health Trust	–	–	–	160
University of Northumbria Students' Union	**6**	**79**	5	222

During the year the University recognised income of £21,079k (2015: £22,676k) and incurred expenditure of £387k (2015: £328k) from transactions with subsidiary undertakings (as listed in note 13). Amounts due to and from subsidiary companies are disclosed in notes 15 and 17.

24 PENSION SCHEMES

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

The group pension charge for the year was as follows:	**Year Ended 31 July 2016**	Year Ended 31 July 2015
	£'000	£'000
TPS	**7,734**	7,142
USS (including deficit movements)	**1,985**	2,199
LGPS	**9,440**	8,341
Others	**6**	4
	19,165	17,686

24 PENSION SCHEMES (continued)

Teachers' Pension Scheme (TPS)

The TPS is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

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:

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%)
- 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 was implemented from 1 September 2015.

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

Scheme changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected. In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £7,734k (2015: £7,142k).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The University is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The University has set out above the information available on the plan and the implications for the University in terms of the anticipated contribution rates.

24 PENSION SCHEMES (continued)

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme (the scheme). Throughout the current and preceding periods, the scheme was a defined benefit only pension scheme until 31 March 2016 which was 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 Section 28 of FRS 102 "Employee 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. Since the institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The total cost charged to the profit and loss account is £1,985k (2015: £2,199k).

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

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

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

24 PENSION SCHEMES (continued)

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

	As at 31 July 2016	As at 31 July 2015
Discount Rate	**3.6%**	3.3%
Pensionable salary growth	**n/a**	3.5% in the first year and 4.0% thereafter
Pension Increases (CPI)	**2.2%**	2.2%

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

Male members' mortality 98% of S1NA "light" YoB tables – No age rating

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

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

	As at 31 July 2016	As at 31 July 2015
Males		
Currently aged 65	**24.3**	24.2
Currently aged 45	**26.4**	26.3
Females		
Currently aged 65	**26.5**	26.4
Currently aged 45	**28.8**	28.7

	As at 31 July 2016	As at 31 July 2015
Scheme assets	**£49.8bn**	£49.1bn
Total scheme liabilities	**£58.3bn**	£60.2bn
FRS 102 total scheme deficit	**£8.5bn**	£11.1bn
FRS 102 total funding level	**85%**	82%

Tyne & 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 was 14.9% and employer contributions including capital repayments and strain on fund payments were £8,990k (2015: £8,835k). Under FRS 102, the comparable Service Cost was £9,440k (2015: £8,341k).

The results 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.

The last full actuarial valuation was at 31 March 2013. There is current valuation being undertaken at 31 March 2016 whose results are expected by October 2016.

Expected employer contributions to the Fund for the accounting period to 31 July 2017 are estimated to be £8,580k which. In addition, Strain on Fund Contributions may be required to meet the costs of early retirements.

Included in the employer contributions is the Past Service Deficiency Annual Monetary Amount which is determined by the administering authority, South Tyneside Council. This payment is expected to clear the pension deficit in 20.1 years.

Risks associated with the Fund in relation to accounting

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

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

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

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

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

Principal Actuarial Assumptions	**As at 31 July 2016**	As at 31 July 2015
Discount Rate	**2.4%**	3.6%
RPI Inflation	**2.9%**	3.2%
CPI Inflation	**1.8%**	2.1%
Pension Increases	**1.8%**	2.1%
Pension Accounts Revaluation Rate	**1.8%**	2.1%
Salary Increases	**3.3%**	3.6%

24 PENSION SCHEMES (continued)

Mortality Assumptions

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

	As at 31 July 2016	As at 31 July 2015
Males		
Members aged 65 at accounting date	**23.2**	23.1
Members aged 45 at accounting date	**25.3**	25.1
Females		
Members aged 65 at accounting date	**24.8**	24.7
Members aged 45 at accounting date	**27.1**	27.0

	As at 31 July 2016 %	As at 31 July 2015 %
Asset Allocation		
Equities	**66.3**	65.9
Property	**10.0**	9.6
Government Bonds	**3.8**	3.6
Corporate Bonds	**11.5**	11.6
Cash	**3.0**	2.8
Other	**5.4**	6.5
Total	**100.0**	100.0

	As at 31 July 2016 £'000	As at 31 July 2015 £'000
Reconciliation of Funded Status to Balance Sheet		
Fair Value of Fund Assets	**218,923**	193,273
Present Value of Defined Benefit Obligation	**(362,164)**	(288,711)
Deficit in the Scheme Recorded in Provisions (Note 19)	**(143,241)**	(95,438)

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

Active Members	50%
Deferred Pensioners	14%
Pensioners	36%

24 PENSION SCHEMES (continued)

Amounts Recognised in Income Statement	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Operating Cost Current Service Cost	**8,770**	7,791
Past Service Cost	**670**	550
	9,440	8,341
Financing Cost		
Net Interest cost	**3,273**	3,162
Expense recognised in Income and Expenditure	**12,713**	11,503
Allowance for administration expenses included in Current Service Costs	**120**	120

Amounts Recognised in Other Comprehensive Income	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Gain on Assets	**15,350**	9,920
Experience Losses on Liabilities	**(59,430)**	(21,280)
Total Amount Recognised in Other Comprehensive Income	**(44,080)**	(11,360)

Movement in Deficit	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Deficit at 1 August	**(95,438)**	(81,410)
Current Service Cost	**(8,770)**	(7,791)
Past Service Cost	**(670)**	(550)
Contributions by Employer	**8,990**	8,835
Net Interest Cost	**(3,273)**	(3,162)
Actuarial Losses	**(44,080)**	(11,360)
Deficit at 31 July	**(143,241)**	(95,438)

Changes to the Present Value of the Defined Benefit Obligation	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Opening Defined Benefit Obligation	**288,711**	253,906
Current Service Cost	**8,770**	7,791
Past Service Cost	**670**	550
Interest Expense on defined benefit obligation	**10,293**	10,312
Actuarial Losses on Liabilities	**59,430**	21,280
Contributions by Participants	**2,710**	2,742
Net Benefits Paid Out	**(8,420)**	(7,870)
Closing Defined Benefit Obligation	**362,164**	288,711

Changes to the Fair Value of Assets	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Opening Fair Value of Assets	**193,273**	172,496
Contributions by Employer	**8,990**	8,835
Interest Income on Assets	**7,020**	7,150
Actuarial Gains on Assets	**15,350**	9,920
Contributions by Participants	**2,710**	2,742
Net Benefits Paid Out	**(8,420)**	(7,870)
Closing Fair Value of Assets	**218,923**	193,273

Actual Return on Assets	Year Ended 31 July 2016 £'000	Year Ended 31 July 2015 £'000
Interest Income on Assets	**7,020**	7,150
Actuarial Gains on Assets	**15,350**	9,920
	22,370	17,070

24 PENSION SCHEMES (continued)

Sensitivity Analysis

	+0.1% p.a.	Base Figure	-0.1% p.a
Discount Rate Assumption **Adjustment to Discount Rate**			
Present Value of Total Obligation (£'000)	354,960	362,164	369,510
% change in Present Value of Total Obligation	– 2.0%		2.0%
Projected Service Cost (£'000)	11,600	11,960	12,330
Approximate % change in projected Service Cost	-3.0%		3.1%
Rate of General Increase in Salaries **Adjustment to Salary Increase Rate**			
Present Value of Total Obligation (£'000)	364,430	362,164	359,920
% change in Present Value of Total Obligation	0.6%		-0.6%
Projected Service Cost (£'000)	11,960	11,960	11,960
Approximate % change in projected Service Cost	0.0%		0.0%
Rate of Increase in Pensions in Payment and Deferred Pensions Assumptions and Rate of Revaluation of Pension Accounts Assumption **Adjustment to Pension Increase Rate**			
Present Value of Total Obligation (£'000)	367,220	362,164	357,180
% change in Present Value of Total Obligation	1.4%		-1.4%
Projected Service Cost (£'000)	12,330	11,960	11,600
Approximate % change in projected Service Cost	3.1%		-3.0%
Post Retirement Mortality Assumption **Adjustment to Mortality Age Rating Assumption**			
Present Value of Total Obligation (£'000)	373,210	362,164	351,170
% change in Present Value of Total Obligation	3.0%		-3.0%
Projected Service Cost (£'000)	12,410	11,960	11,510
Approximate % change in projected Service Cost	3.8%		-3.8%

25 FINANCIAL INSTRUMENTS

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

The University's treasury management policy governs all treasury management activities and sets out relevant policy objectives and control measures. It is reviewed and approved by the University Executive. The treasury management policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Services, as issued by Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by Higher Education Funding Council for England (HEFCE).

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

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

At 31 July 2016, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet. Student, government and commercial debtors are reviewed on an on-going basis and bad debt provisions are made if recovery of credit becomes uncertain. A debtor deemed irrecoverable is written off. The concentration of risk is limited due to student base being large and diverse. The University's investment decisions are based on strict minimum credit worthiness criteria to ensure the safety of cash and investments. Credit worthiness of the University's banks and lenders is regularly monitored.

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

At 31 July 2016, the group is holding cash deposits, none of which is greater than 12 months.

Foreign currency risk
Foreign currency risk refers to the risk that the unfavourable movements in foreign exchange rate may cause financial loss to the group. The group's principal foreign currency exposures generally arise from research related receipts and payments denominated in euros. The University has a Euro current account to help with the management and mitigation of foreign currency risk. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall foreign currency exposure is immaterial, being insignificant portion of total Income and expenditure. At 31 July 2016, the sterling equivalent of all euro bank balances was £4,441k (2015: £3,617k).

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

The group's main financing relates to the secured and unsecured bank loans (see note 18) with a total amount outstanding of £70,331k (2015: £73,525k). Interest is charged at different rates, including fixed rates as a result of interest rate hedging instruments, and an element at variable rates. At 31 July 2016, balance sheet values of deposits and cash at bank and in hand are not materially exposed to changes in interest rates. The nature of the hedging instruments associated with the group's secured bank loans means that that group is not significantly exposed to interest rate risk, albeit fluctuations in the fair value of derivative financial instruments are relevant (see below).

Derivative financial instruments – fair values
The fair value of the University's interest rate swaps is based on Mark to Market value.

Financial Liabilities	As at 31 July 2016			As at 31 July 2015		
	Current £000	**Non-Current £000**	**Total £000**	Current £000	Non-Current £000	Total £000
Interest rate swaps:						
Designated as cash flow hedges	**(2,830)**	**(25,475)**	**(28,305)**	(2,864)	(17,386)	(20,250)

25 FINANCIAL INSTRUMENTS (continued)

Hedge Accounting

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

Financial Liabilities	**As at 31 July 2016**					
	Carrying amount £000	**Expected cash flows £000**	**1 year or less £000**	**1 to 2 Years £000**	**2 to 5 Years £000**	**5 years and over £000**
Interest rate swaps:						
Liabilities	**(28,305)**	**(28,305)**	**(2,830)**	**(2,708)**	**(7,372)**	**(15,395)**

Financial Liabilities	As at 31 July 2015					
	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to 2 Years £000	2 to 5 Years £000	5 years and over £000
Interest rate swaps:						
Liabilities	(20,250)	(20,250)	(2,864)	(2,830)	(7,750)	(6,806)

The group uses hedge accounting in line with FRS 102.12 in respect of the interest rate swap on the secured bank loans, see above.

This interest rate swap is to fix interest rates on the University's secured bank loans, by tranche, as outlined in note 18. The risk being hedged is the University's exposure to variable interest rates. The fair value of the hedging instrument at the year-end is a liability of £28,305k (2015: £20,250k).

The amount of the change in fair value of the hedging instrument recognised in other comprehensive income for the period is £8,055k (2015: £3,210k).

26 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates for the accounting for employee benefits
FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets for certain of the University's defined benefit plans. These are mainly actuarial assumptions such as discount rate, mortality rates and expected inflation rates. Differences arising from actual experience or future changes in assumptions will be reflected in future years. The key assumptions made for 2016 are included in note 24.

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

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

27 CONTINGENT LIABILITY

During the year the University received a legal claim in relation to a specific incident. This issue is going through due legal process at the moment and is expected to be concluded during 2017. The University is taking appropriate legal advice and does not expect this issue to have a material impact on the financial statements as reported. Further details have not been disclosed as the University believes that to do so could prejudice the outcome of this litigation.

28 TRANSITION TO FRS 102 AND THE 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position and financial performance is set out in the following tables.

Consolidated Balance Sheet	1 August 2014			31 July 2015		
	2007 SORP £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000	2007 SORP £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Non-current assets						
Intangible Assets	-	2,563	2,563	-	3,369	3,369
Tangible Fixed Assets	329,447	(2,563)	326,884	316,580	631	317,211
	329,447	-	329,447	316,580	4,000	320,580
Current assets						
Stocks	148	-	148	101	-	101
Trade and other receivables	9,047	-	9,047	10,389	-	10,389
Assets For Sale	-	-	-	4,000	(4,000)	-
Investments	-	-	-	10,000	-	10,000
Cash and cash equivalents	56,263	-	56,263	54,000	-	54,000
	65,458	-	65,458	78,490	(4,000)	74,490
Creditors: amounts falling due within one year	(53,374)	(5,534)	(58,908)	(55,499)	(5,961)	(61,460)
Net current assets	12,084	(5,534)	6,550	22,991	(9,961)	13,030
Total assets less current liabilities	341,531	(5,534)	335,997	339,571	(5,961)	333,610
Creditors: amounts falling due after more than one year	(72,524)	(14,132)	(86,656)	(70,225)	(17,386)	(87,611)
Provisions						
Provisions for liabilities	(7,090)	7,090	-	(7,056)	7,056	-
Other pension liability	(81,410)	(4,607)	(86,017)	(95,438)	(5,666)	(101,104)
Other provisions	-	(3,545)	(3,545)	-	(3,527)	(3,527)
Total net assets	**180,507**	**(20,728)**	**159,779**	**166,852**	**(25,484)**	**141,368**
Deferred capital grants	23,787	(23,787)	-	24,346	(24,346)	-
Unrestricted Reserves						
Hedging Reserve	-	(17,040)	(17,040)	-	(20,250)	(20,250)
Pension Reserve	(81,410)	81,410	-	(95,438)	95,438	-
Income and expenditure reserve – unrestricted	135,839	40,980	176,819	140,034	21,584	161,618
Revaluation reserve	102,291	(102,291)	-	97,910	(97,910)	-
	156,720	3,059	159,779	142,506	(1,138)	141,368
Total	**180,507**	**(20,728)**	**159,779**	**166,852**	**(25,484)**	**141,368**

28 TRANSITION TO FRS 102 AND THE 2015 SORP (continued)

University Balance Sheet	1 August 2014			31 July 2015		
	2007 SORP £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000	2007 SORP £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Non-current assets						
Intangible Assets	–	2,563	2,563	–	3,369	3,369
Tangible Fixed Assets	329,447	(2,563)	326,884	316,580	631	317,211
	329,447	–	329,447	316,580	4,000	320,580
Current assets						
Stocks	148	–	148	101	–	101
Trade and other receivables	9,184	–	9,184	10,400	–	10,400
Assets For Sale	–	–	–	4,000	(4,000)	–
Investments	–	–	–	10,000	–	10,000
Cash and cash equivalents	56,262	–	56,262	53,995	–	53,995
	65,594	–	65,594	78,496	(4,000)	74,496
Creditors: amounts falling due within one year	(53,356)	(5,534)	(58,890)	(55,506)	(5,961)	(61,467)
Net current assets	12,238	(5,534)	6,704	22,990	(9,961)	13,029
Total assets less current liabilities	341,685	(5,534)	336,151	339,570	(5,961)	333,609
Creditors: amounts falling due after more than one year	(72,524)	(14,132)	(86,656)	(70,225)	(17,386)	(87,611)
Provisions						
Provisions for liabilities	(7,090)	7,090	–	(7,056)	7,056	–
Other pension liability	(81,410)	(4,607)	(86,017)	(95,438)	(5,666)	(101,104)
Other provisions	–	(3,545)	(3,545)	–	(3,527)	(3,527)
Total net assets	**180,661**	**(20,728)**	**159,933**	**166,851**	**(25,484)**	**141,367**
Deferred capital grants	23,787	(23,787)	–	24,346	(24,346)	–
Unrestricted Reserves						
Hedging Reserve	–	(17,040)	(17,040)	–	(20,250)	(20,250)
Pension Reserve	(81,410)	81,410	–	(95,438)	95,438	–
Income and expenditure reserve – unrestricted	135,993	40,980	176,973	140,033	21,584	161,617
Revaluation reserve	102,291	(102,291)	–	97,910	(97,910)	–
	156,874	3,059	159,933	142,505	(1,138)	141,367
Total	**180,661**	**(20,728)**	**159,933**	**166,851**	**(25,484)**	**141,367**

28 TRANSITION TO FRS 102 AND THE 2015 SORP (continued)

Reconciliation of changes in Net Assets		As at 1 August 2014		As at 31 July 2015	
		Consolidated	University	Consolidated	University
	Note	£'000	£'000	£'000	£'000
Net Assets under 2007 SORP		**180,507**	**180,661**	**166,852**	**166,851**
Creditors due within one year	1	576	576	105	105
Creditors due within one year	2	(2,908)	(2,908)	(2,864)	(2,864)
Creditors due after more than one year	2	(14,132)	(14,132)	(17,386)	(17,386)
Pension Provisions	3	(1,062)	(1,062)	(2,137)	(2,137)
Creditors due within one year	4	(3,202)	(3,202)	(3,202)	(3,202)
Provision for Liabilities	5	3,545	3,545	3,529	3,529
Pension Provisions	5	(3,545)	(3,545)	(3,529)	(3,529)
Provision for Liabilities	6	987	987	879	879
Other Provisions	6	(987)	(987)	(879)	(879)
Provision for Liabilities	7	2,558	2,558	2,648	2,648
Other Provisions	7	(2,558)	(2,558)	(2,648)	(2,648)
Intangible Assets	8	2,563	2,563	3,369	3,369
Fixed Assets	8	(2,563)	(2,563)	(3,369)	(3,369)
Fixed Assets	9	-	-	4,000	4,000
Assets Held for Sale	9	-	-	(4,000)	(4,000)
		(20,728)	**(20,728)**	**(25,484)**	**(25,484)**
Net Assets under 2015 SORP		**159,779**	**159,933**	**141,368**	**141,367**

Reconciliation of changes in Reserves		As at 1 August 2014		As at 31 July 2015	
		Consolidated	University	Consolidated	University
	Note	£'000	£'000	£'000	£'000
Reserves under 2007 SORP		**156,720**	**156,874**	**142,506**	**142,505**
Income and Expenditure Reserve	1	576	576	105	105
Hedging reserve	2	(17,040)	(17,040)	(20,250)	(20,250)
Income and Expenditure Reserve	3	(1,062)	(1,062)	(2,137)	(2,137)
Income and Expenditure Reserve	4	(3,202)	(3,202)	(3,202)	(3,202)
Income and Expenditure Reserve	1	23,787	23,787	24,346	24,346
Income and Expenditure Reserve	10	(81,410)	(81,410)	(95,438)	(95,438)
Pension Reserve	10	81,410	81,410	95,438	95,438
Income and Expenditure Reserve	11	102,291	102,291	97,910	97,910
Revaluation Reserve	11	(102,291)	(102,291)	(97,910)	(97,910)
		3,059	**3,059**	**(1,138)**	**(1,138)**
Reserves under 2015 SORP		**159,779**	**159,933**	**141,368**	**141,367**

28 TRANSITION TO FRS 102 AND THE 2015 SORP (continued)

Consolidated and University notes to the Net Assets and Reserves transition reconciliations

1) Government grants

The University has been in receipt of certain capital grants classified as government grants under FRS 102 and the 2015 FE/HE SORP. Under the previous UK GAAP and 2007 SORP these were able to be capitalised and amortised over the remaining useful life of the relevant fixed assets. FRS 102 requires such grants to be accounted for either based on the performance model or the accrual model. The University has adopted the performance model and has therefore recognised through reserves those grants previously deferred where performance conditions had been met. Where performance conditions have not been met, the credit balance is now included as deferred income in creditors falling due within one year and after more than one year.

Grant amounts previously recorded as unexpended had had their performance conditions met and were accordingly transferred to reserves (2014: £576k and 2015: £105k).

Deferred Capital Grant balances outstanding at the respective year ends were deemed to have had all performance conditions met and were subsequently transferred to Reserves (2014: £23,787k and 2015: £24,346k).

2) Fixed Rate Hedging Agreements

The University has two interest rate swaps providing fixed interest rates on most of its secured borrowings. The fixed rates measured against actual rates produced a hedging liability which is now recorded on the balance sheet in Creditors due within one year (2014: £2,908k and 2015: £2,864k) and Creditors due after more than one year (2014: £14,132k and 2015: £17,386k). This liability is similarly recognised in Hedging Reserves (2014: £17,040k and 2015: £20,250k).

3) Pension provisions

The adjustments to the opening and closing amounts comprise the recognition of the University's share of the USS deficit. This is a defined multi-employer plan and in accordance with FRS 102, where the University has an obligation to fund past deficits within a scheme, then the liability must be recognised on the balance sheet (2014: £1,062k and 2015: £2,137k).

4) Recognition of short-term employment benefits

Under previous UK GAAP no recognition was made for short-term employment benefits such as holiday pay. Under FRS 102 the costs of short-term employment benefits are recognised as a liability and an expense. As a result of the requirement to accrue for holiday that was earned but not taken at the date of the statement of financial position, there is an accrual for unused holiday entitlement reported in Creditors due within one year (2014: £3,202k and 2015: £3,202k).

5) Enhanced Pension Provision

The University has recorded a liability to recognise its commitment to pay enhanced pension payments to certain past employees. FRS 102 requires that this liability, previously reported under Provisions for Liabilities is now reported under Pension Provisions (2014: £3,545k and 2015: 3,529k).

6) Restructuring Provision

This liability, previously reported under Provisions for Liabilities is now reported under Other Provisions (2014: £987k and 2015: £879k).

7) Dilapidation Provision

The University maintains a dilapidation provision to cover the anticipated future costs involved when it vacates properties where leases have ended. This liability, previously reported under Provisions for Liabilities is now reported under Other Provisions (2014: £2,558k and 2015: £2,648k).

8) Intangible Assets and Tangible Fixed Assets

Software assets previously reported under Tangible Fixed Assets have now been reclassified as Intangible Assets under FRS 102 (2014: £2,563k and 2015: £3,369k).

9) Assets Held for Sale

UK GAAP required that any assets identified as being held for sale were reported under Current Assets. FRS 102 no longer permits this treatment and accordingly any such assets are reported under Fixed Assets (2014: £Nil and 2015: £4,000k).

10) Pension Reserve

This reserve, previously reported separately is now absorbed within the Income and Expenditure Reserve (2014: £81,410k and 2015: £95,438k).

11) Revaluation Reserve

There is no longer a requirement to report this reserve separately so it is now absorbed within the Income and Expenditure Reserve (2014: £102,291k and 2015: £97,910k).

28 TRANSITION TO FRS 102 AND THE 2015 SORP (continued)

Consolidated Statement of Comprehensive Income

	Year Ended 31 July 2015		
		Effect of Transition to	
	2007 SORP £'000	2015 SORP £'000	2015 SORP £'000
Income			
Tuition Fees and Education Contracts	173,230	-	173,230
Funding Body Grants	22,741	220	22,961
Research Grants & Contracts	5,330	-	5,330
Other Income	38,255	(132)	38,123
Investment Income	1,412	(1,048)	364
Total Income	240,968	(960)	240,008
Expenditure			
Staff Costs	139,162	1,318	140,480
Other Operating Expenses	80,996	866	81,862
Depreciation	16,232	(866)	15,366
Impairment of Tangible Fixed Assets	93	757	850
Interest & Other Finance Costs	3,690	3,199	6,889
Total Expenditure	240,173	5,274	245,447
Surplus/(Deficit) before other gains/(losses)	**795**	**(6,234)**	**(5,439)**
Gain on Disposal of Tangible Fixed Assets	1,710	-	1,710
Surplus/(Deficit) Before Tax	**2,505**	**(6,234)**	**(3,729)**
Taxation	-	-	-
Surplus/(Deficit) For The Year	**2,505**	**(6,234)**	**(3,729)**
Unrealised surplus on revaluation of land and buildings	(757)	757	-
Actuarial (Loss)/Gain in respect of pension scheme	(15,962)	4,490	(11,472)
Change in Fair Value of Hedging Financial Instruments	-	(3,210)	(3,210)
Total Comprehensive Expenditure for the year/ Total Recognised Gain and Losses under old UK GAAP	**(14,214)**	**(4,197)**	**(18,411)**

28 TRANSITION TO FRS 102 AND THE 2015 SORP (continued)

University Statement of Comprehensive Income

	Year Ended 31 July 2015		
		Effect of Transition to	
	2007 SORP £'000	2015 SORP £'000	2015 SORP £'000
Income			
Tuition Fees and Education Contracts	173,230	-	173,230
Funding Body Grants	22,741	220	22,961
Research Grants & Contracts	5,330	-	5,330
Other Income	37,464	(132)	37,332
Investment Income	1,412	(1,048)	364
Total Income	240,177	(960)	239,217
Expenditure			
Staff Costs	138,599	1,318	139,917
Other Operating Expenses	80,923	866	81,789
Depreciation	16,232	(866)	15,366
Impairment of Tangible Fixed Assets	93	757	850
Interest & Other Finance Costs	3,690	3,199	6,889
Total Expenditure	239,537	5,274	244,811
Surplus/(Deficit) before other gains/(losses)	**640**	**(6,234)**	**(5,594)**
Gain on Disposal of Tangible Fixed Assets	1,710	-	1,710
Surplus/(Deficit) Before Tax	**2,350**	**(6,234)**	**(3,884)**
Taxation	-	-	-
Surplus/(Deficit) For The Year	**2,350**	**(6,234)**	**(3,884)**
Unrealised surplus on revaluation of land and buildings	(757)	757	–
Actuarial (Loss)/Gain in respect of pension scheme	(15,962)	4,490	(11,472)
Change in Fair Value of Hedging Financial Instruments	–	(3,210)	(3,210)
Total Comprehensive Expenditure for the year/ Total Recognised Gain and Losses under old UK GAAP	**(14,369)**	**(4,197)**	**(18,566)**

28 TRANSITION TO FRS 102 AND THE 2015 SORP (continued)

Reconciliation of movements on Surplus/(Deficit)

By reporting line	Note	Year Ended 31 July 2015 Consolidated £'000	University £'000
Surplus for the year under 2007 SORP		**2,505**	**2,350**
Funding Body Grants	1	220	220
Other Income	1	(132)	(132)
Investment Income	2	(1,048)	(1,048)
Staff Costs	3	(280)	(280)
Staff Costs	4	(1,038)	(1,038)
Other Operating Expenses	5	866	866
Depreciation	5	(866)	(866)
Impairment	6	(757)	(757)
Interest and Other Finance Costs	2	(3,162)	(3,162)
Interest and Other Finance Costs	7	(37)	(37)
		(6,234)	**(6,234)**
Surplus for the year under 2015 SORP		**(3,729)**	**(3,884)**

By type	Note	Year Ended 31 July 2015 Consolidated £'000	University £'000
Surplus for the year under 2007 SORP		**2,505**	**2,350**
Deferred Capital Grant Release	1	(1,569)	(1,569)
Capital Grant	1	1,657	1,657
LGPS Pension	2 & 3	(4,490)	(4,490)
USS Deficit Movement	4 & 7	(1,075)	(1,075)
Property Diminution	6	(757)	(757)
		(6,234)	**(6,234)**
Surplus for the year under 2015 SORP		**(3,729)**	**(3,884)**

28 TRANSITION TO FRS 102 AND THE 2015 SORP (continued)

Consolidated and University notes to the Statement of Comprehensive Income transition adjustments

1) Government grants

The University has been in receipt of certain capital grants classified as government grants under FRS 102 and the 2015 FE/HE SORP. Under the previous UK GAAP and 2007 SORP these were deferred and amortised over the remaining useful life of the relevant fixed assets. FRS 102 requires such grants to be accounted for either based on the performance model or the accrual model. The University has adopted the performance model and has therefore recognised as income those grants where performance conditions have been met.

The change from the accruals model to the performance model results in an increase in income from funding body grants of £220k and a reduction in other income of £132k.

2) Investment income and Interest and other finance costs

Included within investment income under the previous UK GAAP was £1,048k pension finance return. This was the net of the expected return on the LGPS assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income and Expenditure, of a net interest cost, calculated by multiplying the net fund obligations by the market yield on a high quality corporate bond (the discount rate). The net interest under FRS 102 has become a charge of £3,162k. This change has had no effect on net assets as the measurement of the net defined benefit fund obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by an increase in the actuarial gains presented within 'Other comprehensive income'.

3) Pension Staff costs

Included within Staff Costs under UK GAAP is a pension credit of £774k being the difference between the actual costs incurred and the service cost. Under FRS 102, the service cost increased by £280k. This change has had no effect on net assets as the measurement of the net defined benefit fund obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by an increase in the actuarial gains presented within 'Other comprehensive income'.

4) Pension provisions

Under UK GAAP, the liability to fund past deficits in the USS was not reported on the balance sheet. However, in accordance with FRS 102, where the University has an obligation to fund past deficits within a scheme then the liability must be recognised on the balance sheet. During 2014/15, the 2012 deficit scheme was replaced by the 2015 scheme and as the overall funding deficit increased, a charge was recognised in staff costs for the year of £1,038k.

5) Intangible Assets and Tangible Fixed Assets

Software previously identified in Tangible Fixed Assets was written down over its useful life by a depreciation charge. As the software assets now reside under Intangible Assets, the write down of value over its useful life is now classed as amortisation and accordingly the charge of £866k is removed from Depreciation and reported in Other Operating Expenses.

6) Revaluation and Impairment

Under UK GAAP, impairments in property values could be offset by previous unrealised revaluation gains. Under FRS 102, when the deemed cost model is adopted, the full impairment value needs to be charged to income and accordingly, the impairment of £850k, which was reduced by a revaluation reserve release of £757k, is now restated to its full value.

7) Pension Interest

With reference to 4) above, the cash value of the deficit payments is discounted to its net present value. Each year, part of this discount is unwound and is shown as an interest charge, being £37k for 2014/15.

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