



**Northumbria
University**
NEWCASTLE

ANNUAL REPORT AND FINANCIAL STATEMENTS. 2019/20

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The Annual Report and Financial Statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (2019) and the Accounts Direction, dated 25 October 2019.

Vice-Chancellor and Chief Executive's foreword



I am pleased to introduce the Annual Report and Financial Statements for 2019/20. The information in this report provides an overview of the University's activities and achievements during the year.

2019/20 was the second year of the University Strategy 2018-23, the road map for the University's continued transformation which will help us to realise our ambitious Vision and achieve a rank position in the top 30 of UK universities. It was also the year of the Covid-19 pandemic, which brought an unprecedented element of operational and financial uncertainty.

Despite this, 2019/20 was a successful year for Northumbria, and I take this opportunity to thank our colleagues for the exceptionally hard work that has enabled the University to continue to thrive. Our ongoing transformation and success are reflected in our league table standing. The University was ranked 27th in the Guardian University Guide 2021, reaching the top 30, and 57th in the Times Good University Guide. Northumbria was the top-rated UK young university in the Times Higher Education Young University Rankings 2020, and in the top 40 globally for research citations in the same table. Northumbria's position in the QS World University Rankings continued the improvement of recent years and the University entered the 651-700 ranking for the first time.

In the past year the University has continued to invest in talented staff and to attract a diverse mix of students and colleagues from across the globe. We were pleased to welcome over 200 new academic staff, strengthening education, the student experience, and research in advance of our submission to the Research Excellence Framework in March 2021. Northumbria is achieving its ambition of being a research-rich university, with notable growth in research awards over the last year marking an upswing in national and international recognition of Northumbria's growing research standing and capacity. Research Grant and Contract income grew 15.7% in 2019/20, even with the impact of Covid-19.

Northumbria again saw strong student recruitment, at quality and from all backgrounds, in an ever-more competitive environment. Northumbria's students have better entry qualifications on average than those of any other post-92 institution, ranking 29th among universities in England. We have also supported our students to succeed academically and personally, irrespective of background, providing Scholarships and Bursaries worth £3.1m, a £1m hardship support fund, and laptop grants to 155 students.

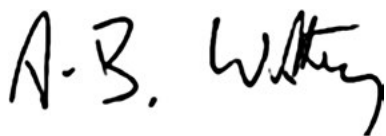
The University has also grown its cohorts of masters, doctoral, international and degree apprenticeship students. We have continued to see increases in the number and quality of international students recruited to our Newcastle campuses, with strong growth from India in particular. Our London Campus is now one of the largest satellite campuses in the capital and is starting to make a contribution to research alongside its increasing range of programmes in business, finance, computing, cyber security and project management. Our Amsterdam Campus, in partnership with the Amsterdam University of Applied Sciences, showed strong growth in student numbers and research collaborations.

The Covid-19 pandemic is ongoing at the time of writing and its impacts will be felt for some years. It is testament to our exceptional colleagues that the University moved online in a matter of days in March, with the vast majority of staff working from home and students learning online. Our prior investment in a sector-leading virtual learning environment enabled us to make this transition smoothly and successfully, and positions the University well for the future, as recovery in a post-Covid world provides new opportunities to deploy technology in education and research. Student and staff wellbeing has been at the heart of our thinking, and research and other facilities across our campuses

reopened during the summer, with social-distancing measures for the new academic year.

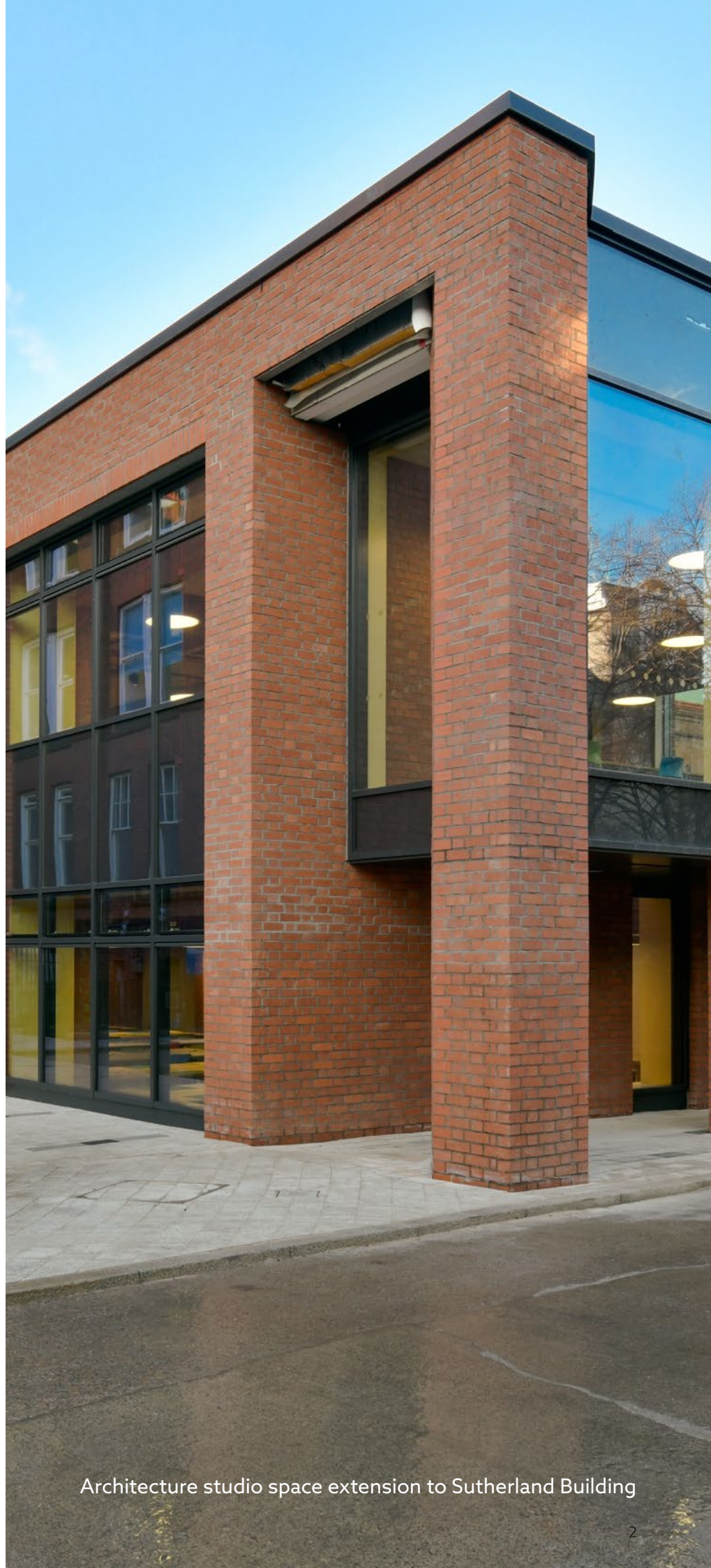
Northumbria has supported the local and national efforts against Covid-19 in many ways. Our third year nursing students moved into full-time clinical work earlier than planned to support the NHS. Students and staff in Fashion manufactured PPE components for use in local NHS Trusts. Research on genome sequencing has improved understanding of the genetic code of the Covid-19 virus in the UK and how it spreads. An innovative breath collection device has been developed to revolutionise the way that Covid-19, and other diseases, are diagnosed. Our world-class researchers are well placed to take advantage of emerging opportunities in the year ahead and to continue to make a real impact on the world.

The University's achievements over the past 12 months and its solid financial position provide a strong foundation from which to weather the uncertainties ahead and to continue our ambitious transformation. As always, I am proud of the many achievements of the University's staff and students, a number of which are illustrated in this Annual Report.



Professor Andrew Wathey CBE
Vice-Chancellor and Chief Executive

22 February 2021



Architecture studio space extension to Sutherland Building

Chair's introduction



Northumbria University's Annual Report and Financial Statements for 2019/20 illustrates our considerable achievements as we approach the mid-point of our University Strategy 2018-23.

I am honoured to be the new Chair of Northumbria University. It is fantastic to return to the University after 15 years, albeit in a quite different role, and to have joined such a committed, dynamic and visionary Board of Governors. The recent Board member changes, coming at a time when we are approaching the mid-point of the 2018-23 University Strategy and dealing with rapid sector change that is being accelerated by the impact of the Covid-19 pandemic, mean that it is both an unusual and exciting time to have joined as Chair of the Board.

I have watched with admiration how Northumbria has reshaped its core offer to students and stakeholders in recent years and how it has dramatically expanded its research capacity. In closely observing Board and Board Committee meetings as Chair Elect since January 2020, I am quite astounded by the depth and extent of that transformation, and its impact on the culture across the University community. As illustrated by our many achievements during 2019/20, I am encouraged by the positive impact this has ultimately made to our growing reputation in the sector, our improving position in a range of UK and international league tables and, accordingly, to our standing as a partner to current and potential stakeholders.

At the heart of our governance and decision-making are the students we are here to serve and our staff who serve them. 2019/20 continued to see excellent staff and students joining Northumbria and continued improvements in our ongoing investment in teaching, research, facilities, technology and wider student experiences. Since March 2020, our investments in technology and welfare support for staff and students have been paramount to manage the impact of the Covid-19 pandemic and must remain so. We are also pioneering research related to Covid-19, and other innovation and enterprise ventures continue to address current societal challenges, providing new and exciting opportunities for staff and students to make a real impact on the world.

Despite challenging market conditions and cost pressures that affect the entire HE sector, we have remained in a sound financial position - as these financial statements demonstrate - and are

continuing to make investments that will maintain this stability. The long-term sustainability of what we do each day, and strive to improve in the future, is critical if we are to continue to nurture and develop the next generation. Investing in our future as a University is investing in their future.

I want to pay tribute to all University staff, ably led by the Vice-Chancellor and Chief Executive and his Executive team, for their extraordinary efforts with students and partners through these difficult and challenging times. The impact of Covid-19 and the disruption to normal life has given rise to great uncertainty, and we all have anxieties about the wellbeing of friends and families. They are a true testament to the Northumbria spirit of "It's on us" and are an immense credit to the Institution.

Our priority will continue to be driving on with the Strategy objectives, with a steadfast focus on quality, working in partnership with students and key stakeholders. Given the ongoing challenges of Covid-19 and uncertain market conditions, it is crucial that the Board and Executive Team remain firm in their commitment to our ambitious direction of travel whilst recognising the need for flexibility in responding to the changing local, national and global environments.

A handwritten signature in black ink that reads "Roberta C. Blackman-Woods".

Dr Roberta Blackman-Woods
Pro-Chancellor and Chair of the Board of Governors

22 February 2021

KEY ACHIEVEMENTS – LEAGUE TABLES

We are ranked in the Top 30 in The Guardian University Guide 2021 (position 27)

We have maintained our position as one of the top 351-400 universities in the Times Higher Education World Rankings 2021.

Northumbria is ranked 27th globally and 6th in the UK in Times Higher Education's Impact rankings – a global league table looking at the contributions made by universities to the UN Sustainable Development Goals.

Northumbria rated in the top 40 globally for research citations (Times Higher Education Young University Rankings 2020)

Northumbria is the top-rated UK young university in global rankings (Times Higher Education Young University Rankings 2020)

Vision, strategy and impact

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 2030

Northumbria's Vision 2030 is to be a research-rich, business-focused professional university with a global reputation for academic excellence. This distinctive Vision of Northumbria as a new kind of excellent University is underpinned by the University Strategy 2018-23.

Academic excellence lies at the heart of our Vision. Achieving strength in both education and research, a differentiator for high quality universities, will secure the University's success and sustainability in the context of greater competition and student choice, globalisation and technology. Our ambition is to be in the top 30, and then top 20, of universities in the UK, as a key indicator of reputation for academic excellence.

University Strategy 2018-23

The University Strategy provides a roadmap for five years, setting the pace and direction to deliver the next steps in the University's transformation.

The Strategy includes five strategic outcomes which collectively describe what Northumbria University will look like in 2023. We measure progress against the outcomes using Key Performance Indicators and through regular reporting to the University's Board of Governors.

Our impact

Northumbria University is making a remarkable impact on the world. We are a challenger institution, transforming to take on tomorrow. Our ambitious Vision and the value we add to everything we do creates new knowledge that benefits

society and transforms our students' lives. We are equipping our students to tackle tomorrow's challenges head on and to lead the way forward.

We have strength in research and education across the whole institution, enabling high quality knowledge exchange through our work with others. Our people, and the alignment between their ambitions and those of the University, drive our continued transformation. Research is embedded in education and knowledge exchange to drive academic excellence, and in turn, education and knowledge exchange which will transform outcomes for students and stakeholders. Our growing academic excellence will produce a stronger global reputation; we will work with more high reputation partners and it will enable us to diversify our income. Through

New Research Council-funded Doctoral Training Centres in renewable energy (EPSRC), and in climate and environmental sciences (NERC), doubling the total number of centres from two to four. Lead UK University in a £20m US/UK study of the West Antarctic Ice Sheet and global sea levels.





We have more graduates in managerial jobs in the North East than any other university, and more than the whole of the Russell Group combined.

organisational sustainability, efficiency and effectiveness, we will deliver value for money, ensure that the resources are available to implement the Strategy, and manage the impact we have on our environment.

Knowledge creation

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

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

The University's track record of securing increasingly high volumes of research awards from funders illustrates both the University's growing reputation for research and effective research partnerships with other universities and stakeholders.

Current, demand-led courses

Northumbria University delivers high-quality teaching, learning and outcomes for our students in a research-rich learning environment.

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

An excellent student experience

With around 30,000 students, Northumbria is one of the largest universities in the UK, providing a diverse and comprehensive offer to its students. It has a national and global reach, with campuses in London and Amsterdam, and programmes delivered in collaboration with prestigious partners worldwide including in Sri Lanka, Indonesia, Singapore and

Malaysia. More than 8,500 international students from 137 countries now study at one of Northumbria's campuses, or on a Northumbria course overseas.

In the past 12 months Northumbria has continued to invest in new academic posts, recruiting 200 new academic staff across all four faculties and at all grades from early career researchers to professors with established international renown. These new roles show how we continue to develop our research focus, but will also support the ongoing investment in our academic content and teaching quality.

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

The turnover of Northumbria graduate start-up businesses was in excess of £84m. The Innovate Northumbria: Incubator opened in late 2019, to further enhance the

support provided to student/graduate entrepreneurs – currently there are 19 resident businesses.

The University maintained its position amongst the top 3 universities in the UK for enterprise support, currently placed 2nd. The University has been amongst the top 10 UK universities for enterprise support in each of the last 10 years.

Value for Money

We have an ongoing and clear focus on ensuring Value for Money for our staff, students, and other stakeholders including taxpayers. Efficient and effective procurement of goods and services is a key enabler of this, as is the effective use of our resources including the estate. But we know that Value for Money means much more than this. We continue to ensure that Northumbria adds value across all its activities, through the student experience whilst studying, through support for employability, and through ensuring that we are transparent about how we use our resources.

Further Value for Money information, which is primarily focused on students and covers where the University's income comes from and how the income is spent, can be found on the University's website (<https://www.northumbria.ac.uk/about-us/university-services/finance-team/value-for-money-for-our-students/>).

Financial and operating outlook

Our financial strategy is to ensure a strong and sustainable University, able to generate surplus cashflows which allow delivery of an enhanced global reputation for academic excellence and re-investment to support income growth and diversity. The University Strategy is supported and enabled by financial plans which are designed to support ongoing investment whilst mitigating the significant risks we face.

The outlook for the 2020/21 financial year, and beyond, is one characterised by uncertainty. However, the excellent results for 2019/20, which built on those of previous years, provide a good cash buffer and, despite the significant disruption caused by Covid-19 and by changes to A-level results, the University recruited well for the 2020/21 academic year. Both UK and EU undergraduate numbers exceeded target for the key semester 1 intake and, whilst international student numbers were below target, an income contingency in relation to this was built into the 2020/21 budget.

The University can approach 2020/21 and beyond with confidence, even in a period of such uncertainty, which is credit to our focus on quality and diversification and the excellent results of 2019/20 and previously.

KEY ACHIEVEMENTS – EDUCATION

Ranked 1st in the UK for 'value-added' – or how a student's academic performance improves at university. (The Guardian University Guide 2021)

Ranked second in the UK for graduate start-ups based on turnover. (Higher Education Business and Communities Interaction Survey for 2018/19 (HEBCIS).

Northumbria has been ranked in the top 3 for graduate start-ups in the UK, based on estimated turnover, since 2011/12, including five years in first place.

Since 2009 Northumbria has assisted in the creation of nearly 300 new businesses which have led to the creation of more than 1,000 jobs, the vast majority of which are in the north east of England.

Northumbria is now ranked 36th in the UK for median graduate earnings three and five years after graduation, according to the latest Graduate Outcomes (LEO) statistics. Source: Graduate Outcomes (LEO): Region by provider, 2016-2017





Operating and financial review

The 2019/20 financial year is one which will live long in many people's memories. For Northumbria, the year began with a strong focus on maintaining progress with our strategy. A good recruitment performance for semester 1, and especially for semester 2, laid the foundations for a strong financial performance and allowed continued investment in the strategy. However, the onset of the Covid-19 pandemic led to a much more challenging operating and economic environment which had a direct impact during the year and which can be expected to have ramifications for years to come.

Key financial metrics	2019/20 £'000	2018/19 £'000
Income	277,178	254,158
Operating surplus / (deficit)	5,879	(15,540)
Operating surplus before exceptional items	3,317	1,579
Adjusted EBITDA	33,277	27,133
Adjusted net operating cashflow	33,954	22,412
Cash and investments	66,942	49,015

Financial performance and position

Despite the pandemic, the operating performance for 2019/20 remained strong, helping provide headroom for the greater challenges expected in the 2020/21 financial year:

The operating surplus, before other gains, increased from a £15.5m deficit in 2018/19 to a £5.9m surplus. Excluding the exceptional pension adjustments which had a significant negative impact

on the 2018/19 results and which resulted in a one-off benefit in 2019/20 of £2.6m, the underlying surplus increased from £1.6m to £3.3m.

Adjusted EBITDA, being Earnings before FRS 102 pension adjustments, interest, tax, depreciation and amortisation, was £33.3m, compared to £27.1m in 2018/19.

Adjusted net operating cashflow, including recurrent capital grant funding of £2.4m (2018/19: £2.0m), was £33.9m, an increase of £11.5m in comparison to £22.4m in 2018/19. Adjusted net operating cashflow is the University's financial KPI for the period to 2022/23. A target of net adjusted operating cashflow of £26-£30m on average across the 5-year period has been set, inclusive of recurrent capital grant funding (shown in the statutory cashflow statement under 'capital grants receipts'). The 2019/20 performance exceeded this target and with the 2018/19 performance currently gives an average for the period of £28.2m.

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

The University's good financial position was further strengthened by the strong in-year operating performance. Cash and investments increased by £17.9m (36.6%) from £49.0m to £66.9m and, with loan balances reducing by £3.3m (5.5%) to £57.1m, net debt decreased by £21.2m.

Since the University's remaining loan balances with Barclays Bank are payable over a 16 year period, at rates fixed via hedging arrangements, the University's net debt is primarily influenced by the

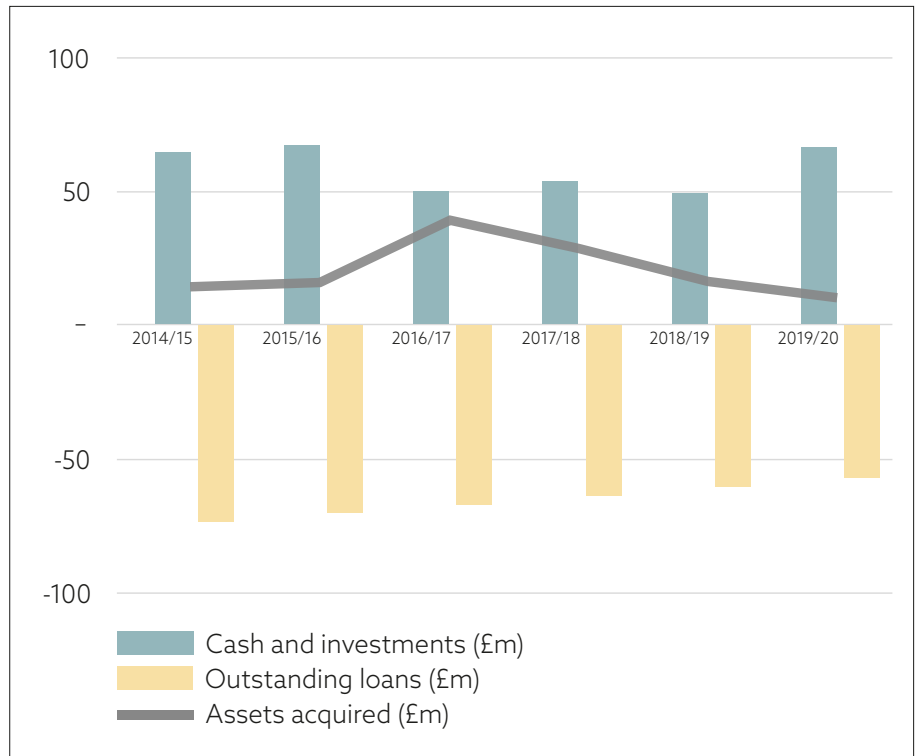
operating cashflows generated, and the level of capital spend. The strong cash holdings therefore reflect both the excellent operating cashflows and the fact that capital expenditure reduced, partly as was planned for the year and partly as a result of a slowing of activity during the pandemic.

As well as a strong cash position, the University's balance sheet remains strong. Net current assets have grown to £31.3m (2019: £11.6m) and reserves, excluding the pensions provision and hedging reserve, are £306.2m (2019: £294.5m). Excluding these helps show the underlying positive performance of the University, although the potential future costs of providing pensions is an increasingly significant issue for both the University and the wider sector as set out in the section below.

Impact of Covid-19

Whilst the headline results for 2019/20 remained strong, the impact of the pandemic was significant. £7.0m of in-year income was lost, with £4.0m of this being non-academic income (accommodation, conferencing, sports, car parking) which represents a direct cash loss to the University. However, the lost income was offset by a reduced level of spend, particularly on travel (£2.6m), consumables (£1.9m), and estate activities such as preventative maintenance which were paused. In addition, £0.8m was claimed from the Government's Coronavirus Job Retention Scheme in respect of furloughed staff. Most furloughed staff worked either in facilities and estates, sports centres, the library, or the University nursery.

The impact of Covid-19 was, of course, not solely financial. Many activities continued remotely from March 2020, and the periods of lockdown and restricted activity on campus saw extraordinary efforts from staff across the University. Teaching was moved online on the University's Virtual Learning Environment (highlighting the benefit, over the previous two years, of investing in the VLE and training staff),

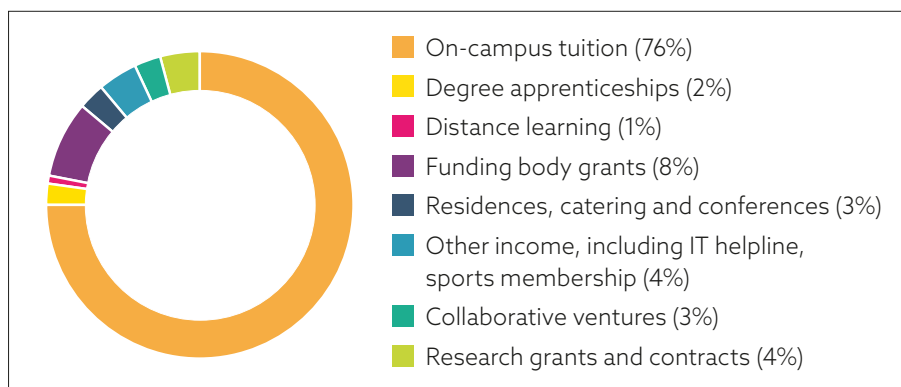


services quickly amended systems and processes to ensure that service quality was not compromised, and research continued including in labs which supported work on the Covid-19 response. Perhaps most importantly,

staff and students remained at the heart of the University's response to the pandemic, with a clear focus on both the student experience and the safety and wellbeing of all.

Income

Northumbria's Vision 2030 is to be a research-rich, business focused, professional university with a global reputation for academic excellence. That vision is enabled by a need for financial sustainability and diversified income streams. The 2019/20 results show that, even with the significant challenges of the pandemic, good progress continues to be made towards these aims.



Student recruitment and tuition income

Total tuition fees for 2019/20 of £216.6m showed a 11.8% increase compared to 2018/19. Excluding the significant growth in our London Campus, run in partnership with QA Higher Education, growth was 8.2% to £202.1m. A key contributor to this growth was a £14.4m (52%) increase in international fees, reflecting continued successful recruitment to both the Newcastle and London campuses and highlighting the benefits of improved reputation and rank both in the UK and internationally. Importantly, in an increasingly competitive recruitment landscape, and in an environment where Home tuition fees have remained static for a number of years, this growth has been achieved whilst maintaining entry grade standards

We encourage the best and brightest students, regardless of background, to apply to Northumbria; to enable them to complete their studies and to succeed academically, personally and professionally. The success of our approach is highlighted by being ranked first in the Guardian League table for the 'Value Added' metric which measures the probability of a student achieving a first or 2:1 degree based

on their entry points. Our approach to widening participation is set out in our Access Agreement with the Office for Students (OfS). In support of this we have continued to provide financial support for students with a total spend of £3.1m on Scholarships and Bursaries in 2019/20. In addition, £1.0m of hardship support was provided to students, including grants to 155 students for laptops to ensure that digital poverty is not a barrier to success. More information on widening participation is provided in the Public Benefit Statement.

Income diversification

Income from UK/EU students remains the largest component of the overall income mix; however, the University has continued to see growth in income streams beyond UK/EU student tuition fees. In addition to the growth in international fees, income from research grants and contracts grew by 15.7% to £10.0m, reflecting Northumbria's growing reputation for research quality. With the Covid-19 pandemic reducing activity towards the end of the year by £1.4m the underlying growth in funded research activity is even greater and the pipeline of work already won for future periods continues to grow year-on-year.

Awards of particular note during 2019/20 include two awards worth £2.8m from the UKRI Future Leaders Fellowship scheme designed to establish the

careers of world-class research and innovation leaders and a NERC Doctoral Training Partnership worth £2.3m; in partnership with Newcastle University this will provide PhD Funded Studentships across a wide range of disciplines and partners.

Other areas of diversification continue to benefit the University both financially and academically. Collaborative ventures (including Transnational Education partnerships and our collaboration with QA Higher Education on Pathway Programmes for international students) grew by 19.5% to £8.8m, whilst the University's London campus has continued to expand with 2019/20 seeing 1,200 enrolments compared to the business plan target of 750.

Our presence in Europe remains strategically important. We grew our Amsterdam campus Postgraduate programmes from two to three in 2019/20, increasing student numbers to 80, and had an additional three programmes approved for delivery in 2020/21. The relationship with Amsterdam University of Applied Sciences [AUAS] continues to develop at pace with each institution providing pump-priming to support joint bids in line with an agreed research strategy, the rolling out of our successful doctoral training programme to AUAS academics, the development of a shared undergraduate programme, and submitting an application to the Dutch regulator for approval of our first joint degree with AUAS, a Masters in Global Sustainable Business Management.

League tables	Rank 2020	Rank 2019
Guardian University Guide	27	47
Times Good University Guide	57	65
Complete University Guide	52	50
THE World University Rankings	351-400	351-400
THE Young University Rankings	80	97
QS World University Rankings	651-700	701-750

Degree Apprenticeship student numbers also continue to grow, with these contributing to the growth in tuition income. Alongside our flagship partnerships with Northumbria and Durham Police forces we are also now working in partnership with Lancashire Teaching Hospitals NHS Foundation Trust, to deliver an Adult Nursing Degree Apprenticeship. In totality income from Degree Apprenticeships grew from £2.0m in 2018/19 to £4.3m, with student numbers growing from 370 to 900.

Whilst total income from our residencies dropped from 2018/19, this was the result of a decision to release students from accommodation contracts once the Covid-19 lockdown was imposed in March 2020. Prior to the pandemic, with accommodation materially full, we had expected to be ahead of both budget and the 2018/19 results.

Investing in our people

Our exceptional people sit at the core of the University's Vision 2030 and we have continued to invest in recruiting, developing, and retaining staff with outstanding skills and talents across both academic and professional support areas.

Before exceptional pension costs, staff costs of £166.5m were 60.0% of total income (2019: 59.5%). However, this is in the context of a significant increase in income, which serves to highlight the continuing pressure on staff costs, particularly pensions costs as discussed below.

The increased costs reflect increasing salary and pension costs but also that we continue to invest in the academic staff base. The number of academic staff increased from 1,309 to 1,378 in 2019/20 (note 6), the third successive year of growth. Three key drivers of this growth were:

- The ongoing impact of appointing 33 Vice-Chancellor's Fellows in 2018/19 (in post for the full year in 2019/20);

- The investment required to deliver the growth in income, especially in respect of growing numbers on postgraduate courses; and
- The ongoing investment in research which means that, at the census date of 31 July 2020, we had 1,096 staff (1,056 FTE) in post with Significant Responsibility for Research. This very significant growth, compared to the 2014 REF exercise when 358 staff (343 FTE) met this definition, is the result of the development and progression of existing staff, continued investment in new staff since 2014, and a 'proleptic' scheme in 2020 under which 92 staff with high quality research outputs were appointed in anticipation of some existing staff moving to other institutions.

Pensions

The provision of attractive pensions arrangements remains a key element of the University's overall approach to pay and conditions, and 2019/20 saw a continued emphasis on ensuring that all staff are able to benefit from an appropriate retirement savings plan. However, the cost of providing access to pensions increased significantly again during the year, with these costs being a key issue for the University and sector. Four schemes are available to Northumbria staff, each of which has different challenges and accounting treatments.

Membership of the University's own defined contribution pension scheme continues to grow, with 528 members at the end of 2019/20 (17% of the staff base). This scheme offers attractive terms for members by comparison with many pension arrangements (including a zero percent contribution rate option for members), whilst providing the University with certainty of costs both now and in the future.

The financial results show an exceptional pension credit for the year of £2.6m. This relates to the Universities Superannuation Scheme (USS), for which the University recognises a

provision in the accounts for the recovery of the deficit. In 2018/19, there was a £5.7m charge as the deficit at 31 July 2019 was calculated based on the 2017 scheme valuation. The use of the 2018 valuation at 31 July 2020 has resulted in a reduction to the provision and the exceptional credit within the Statement of Income and Expenditure. As in 2018/19, the change to the provision is an accounting entry only and has no cashflow impact. However, the size of the provision is indicative of Northumbria's share of the deficit which, proportionately, is a small share of the significant total scheme deficit. One of the challenges of the coming year will be how appropriate plans are put in place at a sector level to reduce this deficit. The University continues to engage with the Trustee and UUK as the 2020 valuation is progressed to ensure a good outcome for those universities like Northumbria which have only a small exposure to the scheme.

The Local Government Pension Scheme (LGPS) deficit has increased in the year by £115.5m to £255.3m, primarily because of a large actuarial loss driven by a significantly reduced discount rate. The growth of the deficit also results from a £11.9m loss (3.9%) to the fair value of scheme assets although, in the context of a global economic downturn to 31 July 2020, this represents a good performance. As with the USS scheme, whilst changes to the valuation of the assets and liabilities are indicative of the financial strength of the scheme, the movement in the deficit does not have an in-year cash impact. Instead, percentage contribution rates for current service, and any lump sum deficit recovery payments, are set following each actuarial valuation. The completion of the 2019 actuarial valuation of the scheme in 2019/20 has resulted in the total level of contributions made by the University decreasing since, as at 31 March 2019, the deficit in the scheme had been materially recovered.

A significant cost increase was seen for the Teachers' Pension Scheme when the employer contribution rate increased to 23.6% from 16.47% in September 2019.

This added £4.3m to the University's recurrent annual staffing costs, again illustrating the challenges of maintaining attractive pensions provision despite the cost increases.

Investing to support our vision

Whilst the focus for 2019/20 was on investing in our people, we have also continued to invest in our research base, transforming student outcomes, developing our estate, and our global brand and reputation. These investments have continued alongside a clear focus on financial and operational sustainability, recognising both the long-term challenges which face the sector and the more immediate need to respond to the Covid-19 pandemic.

Operating costs and management of the cost base

Our non-staff operating expenses, excluding depreciation and interest costs, increased by £5.1m (6.7%) to £80.5m within the consolidated results. Within the University's own results (which exclude the consolidation of the growing London Campus income and costs) operating expenditure fell marginally by 0.2%, reflecting both ongoing efforts to manage costs and also the one-off impact of the slow-down in spending caused by Covid-19 towards the end of the year.

Close management of the cost base, in order to open up headroom for investment, remains a core part of both the annual planning cycle and the longer-term financial strategy. The University's short-term response to the financial risks of the Covid-19 pandemic was one of caution alongside maintaining a clear focus on the longer-term strategy. Budget holders were asked to exercise caution in spending decisions, and some estates works were necessarily delayed, but investment continued in key areas including student recruitment activity. Longer-term measures taken to prioritise investment include a clear focus, managed through the Northumbria Transformation Board, on six core areas which sit alongside ongoing statutory requirements:

- Enhancing and growing research
- Delivering high quality teaching
- Enhancing student experience
- Improving rank and reputation
- Building resilience and efficiency across our operations, including IT and Estates, and
- Growing non-regulated (non-OfS funded) income streams to enable future investment.

Capital investment

The University continued to invest in its estate, equipment, and IT infrastructure in 2019/20, with £8.8m (note 15) of capital additions made to buildings, infrastructure and equipment, and £1.2m (note 14) invested in intangible assets (software and intellectual property). As well as the ongoing investment in IT and estates maintenance, the major areas of investment in 2019/20 included:

- The purchase for £1.1m of College House, consolidating the University's ownership of property on the Newcastle City Campus site.
- The further development of research facilities, including £0.8m to support Ice Core analysis, and £1.8m (part funded through UKRI's Expanding Excellence in England programme) to establish the world's first research hub for Biotechnology in the Built Environment in partnership with Newcastle University.
- The completion of the Innovation Northumbria Incubator, a £0.6m project part-funded by Santander.

Sustainability and the environment

Our University Strategy commits to supporting the United Nations' Sustainable Development Goals (SDGs) not only through our own operations, but also through our research and teaching output. This year saw the conclusion of our 2010-20 Carbon Management Plan, which targeted a 32.5% reduction in scope 1 and 2

emissions against a 2005/06 baseline; our actual reduction exceeded this, with a 50% reduction, meaning that over the past five years our carbon reduction measures have led to c£6m of energy cost savings.

Headline achievements

- 4th in the national People & Planet League, up 37 places from 2019.
- 27th internationally for our contribution towards the United Nation's Sustainable Goals (THE Impact League).
- We won a national Green Gown Award for the work of our Student Law Office.
- We have reduced our carbon emissions by 58% in the past five years.

Water consumption has reduced by 32% since 2005/06 and we continue to implement measures, such as this year's Responsible Consumption campaign, to reduce waste and increase recycling in addition to sending zero non-hazardous waste to landfill.

Our post-2020 carbon planning will set out targets for further ambitious reductions by 2030 including the feasibility of, and approach to, achieving zero carbon by 2040.

Our research and partnerships continue to make significant positive impacts around the world. Examples include: supporting clean energy and economic growth in the north east through the expertise of our Energy Futures group; co-leading the Girl-Kind programme to build confidence and self-expression in girls in the region; advising governments on how to address child hunger especially in light of the Covid-19 pandemic; understanding the impacts and risks of a changing climate; advising international governments and organisations to address corruption in Nigeria; and developing solutions to help diagnose Covid-19 quickly

and effectively and to engineer Covid-resistant surfaces.

Students are also being supported to understand and contribute to the sustainability agenda. This year we received a national Green Gown Award for the outstanding work of our Student Law Office, helping to ensure access to justice for all. The first graduates from our new 18-month nursing apprentice courses graduated and immediately entered roles to support local hospitals during the Covid-19 pandemic. Our Business School is a Champion for the Principles of Responsible Management Education (PRME) initiative, and we were delighted to welcome Paul Polman KBE, former CEO of Unilever and Co-Founder of IMAGINE, to deliver a public lecture exploring how support for the SDGs can drive new markets.

Financial outlook and assessment of going concern

The outlook for the 2020/21 financial year, and beyond, is one characterised by uncertainty. However, Northumbria can approach this period with confidence. The excellent results for 2019/20, which built on those of previous years, provide a good cash buffer and, despite the significant disruption caused by Covid-19 and by changes to A-level results, the University recruited well for the 2020/21 academic year. Both UK and EU undergraduate numbers exceeded target for the key semester 1 intake and, whilst international student numbers were below target, the budget assumptions built in an income contingency in expectation of a reduced intake. Taken together the numbers recruited, alongside continuing students, mean that the total student population is slightly above that assumed in the budget, giving a firm foundation for 2020/21 and beyond.

However, whilst the 2020/21 year has begun well, there are significant risks which remain. Some risks can be foreseen, with the Covid-19 pandemic putting pressure on student wellbeing and retention and directly impacting on commercial income from conferences

and events. Other risks are less certain, with the economic and healthcare impacts of the pandemic only gradually emerging and the possibility of longer-term changes to student behaviour and expectations remaining possible. The financial risks are also significant, with risks remaining to income from semester 2 recruitment, and some areas of increased cost. Since the start of the 2020/21 academic year we have seen requests for hardship support double, have purchased 200 laptops and provided 130 laptop grants to students to mitigate the risks of digital poverty, and have provided Covid support packages to over 4,000 students in self isolation.

Recognising the risks and uncertainty, a number of mitigating actions have been put in place to ensure that the University's financial position remains sound, with the headroom for 2019/20 maintained. These include:

- Setting a budget with significant income contingencies and clearly prioritised investments, which together protect the cash position and headroom whilst facilitating strategic investments;
- A clear in-year process for the release of investment funding, including only releasing this funding once student numbers were achieved; and
- Applying to the Bank of England's Covid Corporate Financing Facility (CCFF) to provide additional liquidity through to 2022 should operating conditions materially worsen and additional support be required.

As with any university, the Board of Governors must confirm that it has reasonable expectation that the University has adequate resources to continue in operation for the foreseeable future. Against the financial outlook above, the Board has confirmed this view, and the University continues to adopt the going concern basis for preparing the financial statements. In reaching this conclusion, the Board has reviewed the sustainability of the

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

- Regular reviews of performance, including via the annual budgets and five-year forecasts submitted to the OfS;
- Regular reviews of performance against budgets and forecasts, using net adjusted operating cashflow as a key performance indicator relevant to institutional financial sustainability;
- The University's strategic risk register, and the reporting on this via the Employment & Finance and the Audit Committees;
- Updates on compliance with the financial covenants of the University's lenders, Barclays plc, and of compliance with measures required by OfS;
- Sensitivity analysis and scenario modelling to assess the impact of Covid-19, sector changes, revisions in government policy and variable student numbers; and
- Access to the CCFF which, whilst not expected to be required even under pessimistic downside scenarios, would be available were there to be a materially worsening of the financial position.

Principal uncertainties and how we respond to them

The external regulatory and operating environment for HE providers in England continues to change amidst significant political turbulence and economic uncertainty, compounded by the impact of the Covid-19 pandemic and related changes to ways of learning and working. A firm commitment to our Vision 2030 horizon and the University Strategy 2018-23 objectives provides the steady focus with which we navigate through the current competitive pressures and uncertain landscape.

Northumbria's Board of Governors and University Executive jointly

recognise that the University's principal uncertainties present both opportunities and threats. Northumbria uses its risk management and internal control arrangements, described in our Statement of Internal Control, to support its strategic and operational planning objectives, to respond appropriately to the changing environment.

Our Strategic Risks, listed below, remain anchored into the strategic objectives in our University Strategy 2018-23. While the key risk areas continue to align with those reported

in previous years, the emerging global Covid-19 pandemic during 2019/20 triggered the creation of a new specific Covid-19 Strategic Risk and influenced the management of other Strategic Risks, given the impact on international activities, student experience and business processes. With regards Brexit preparation, Northumbria has continued to follow UUK guidance and to update staff and students. The coming years present clear challenges as a result of the heightened economic and societal uncertainties and we will respond with innovation and flexibility.



<p>Student outcomes and experience</p> <p>Our Education Strategic Plan and supporting academic governance arrangements aim to improve student outcomes, experience and satisfaction. Student feedback and learning analytics influence changes to our academic portfolio, our technology, estate and facilities and a range of plans.</p>	<p>Research culture and related outcomes</p> <p>Strengthening our research culture to achieve our desired shift in our research reputation continue with pace towards REF 2021 and beyond. We continue to invest in new academic posts, early career researchers and research support systems and facilities to provide a research-rich learning environment for staff, students and partners which impacts on society.</p>
<p>Staff Engagement and Culture</p> <p>Our Strategic Plan for People supports delivery of the University Strategy 2018-23 and the development of our culture remains a key priority. Leadership development and team working have played a crucial role throughout the Covid-19 pandemic. Regular staff communications have strengthened the culture, with particular emphasis on health, safety and wellbeing.</p>	<p>Financial sustainability</p> <p>We seek to increase and diversify our income and manage our cost base. This means we can invest in our people and our Strategy. Our robust financial planning arrangements and strong management of costs enable us to allocate resources with confidence, focus and flexibility.</p>
<p>International opportunities and uncertainties</p> <p>International recruitment and broader partnerships remain subject to changing UK Government, EU and international policy changes, global competitive pressures and increased uncertainties arising from the Covid-19 pandemic. Our International Strategy will remain flexible and responsive to the changing global opportunities.</p>	<p>Brand, reputation and market position</p> <p>We continue to improve our distinctive offer to reflect our strength and ambitions and recent league table results illustrate our improving market position. The brand remains crucial to reinforcing Northumbria's reputation as a challenger institution within the HE market. Success in our fundamental areas of education and research support our efforts to drive performance and market position.</p>
<p>Partnership opportunities</p> <p>Developing new and existing high-quality strategic partnerships forms a central strand of our Strategy both at home and abroad, and across our broad range of activities, to provide educational and employment opportunities for students.</p>	<p>Exploiting benefits from estates and technology</p> <p>Changed ways of working arising from the Covid-19 pandemic have heightened the focus on our use of technology and our estate to respond to the changing needs of students and staff. Our extensive portfolio of major estates and technology projects, and related investments, have rapidly flexed to support online teaching and remote working arrangements and will remain under review to respond to business needs.</p>
<p>Managing compliance</p> <p>We ensure pro-active, proportionate legal and regulatory compliance arrangements by employing skilled, experienced staff, undertaking routine horizon scanning, professional development and training and maintaining clear policies, procedures and systems that ensure compliance levels are maintained, including via formal internal and external audits.</p>	<p>Business processes and continuity</p> <p>Business processes have responded to the changing needs and expectations of staff and students arising from the Covid-19 pandemic, to remain fit-for-purpose. Similarly, our approach to business continuity and critical incident management continue to be strengthened.</p>

KEY ACHIEVEMENTS – RESEARCH

Northumbria has secured £3m from the Future Leaders Fellowships scheme recognising the individual achievements of 3 of our promising researchers. The two fellowships awarded this year are for solar research and to investigate the role immigration played in developing new technologies on the eve of the Industrial Revolution.

A £2m award for the Centre for Digital Citizens was awarded jointly with Newcastle University, building on our track record of Digital Economy funding to Human-Computer Interaction research groups.

We are a partner in a £3.5m project funded by the Global Challenges Research Fund looking at preparedness and planning for the mountain hazard and risk chain in Nepal.

Lead UK university in a £4m EU-funded study into effects of climate change on Antarctic Ice Sheet. Northumbria is also part of the research group that provided the first evidence that Antarctica's thinning ice shelves are causing more ice to move into the sea.

Over £1.1m awarded by the Natural Environment Research Council this year for projects undertaken by the University's Cold and Palaeo Environments Group looking at oceanic changes in the Amundsen Seas and ice sheet evolution in West Antarctica.

We have received our third successful confirmation of the national HR Excellence in Research Award, recognising the supportive environment we provide for research-active academics.

£3.9m award from Research England to work with UCL, Cambridge, Manchester and Nottingham universities on a project to foster and support academic engagement with policy professionals, government, regional and local authorities.

Public benefit role

The University of Northumbria at Newcastle is an 'exempt charity' under Schedule 2 of the Charities Act 1993, the Charities Act 2006 and section 22(1) of the Charities Act 2011. As an exempt charity, Northumbria is not subject to direct registration with, or regulation by, the Charity Commission for England and Wales. Since 01 April 2018, the Office for Students (OfS) has acted as 'principal regulator' of the University on behalf of the Charity Commission.

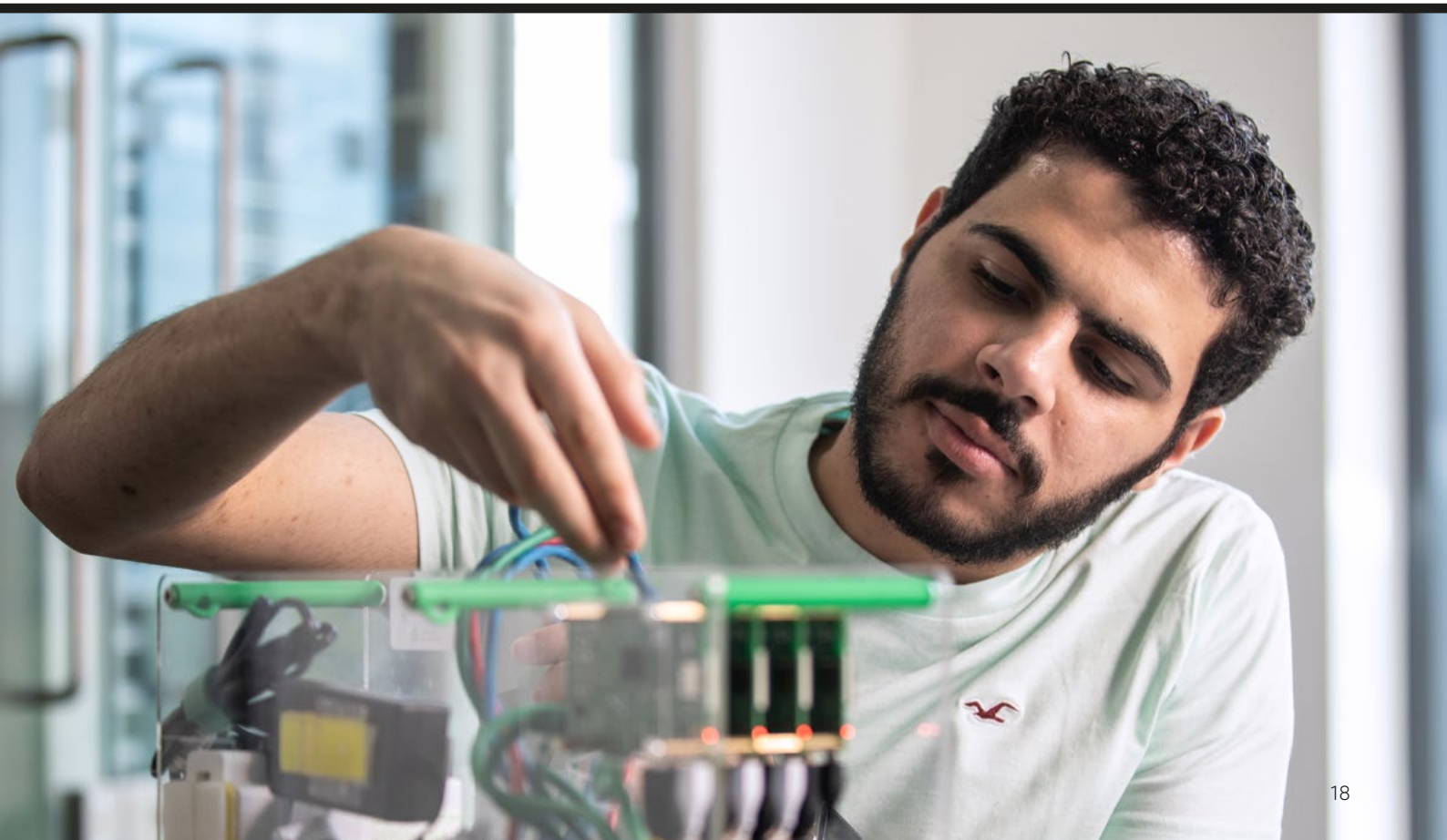
The Board of Governors, as the trustee body of Northumbria University, confirms that:

- It complies with the law applying to exempt charities, through the production of financial statements in accordance with the requirements of the OfS and disclosure of the University's charitable status by means of this document.

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

Although the University is not required under the Charities Act 2011, or the OfS Regulatory Framework, to produce a public benefit statement, it

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



Northumbria's delivery of its charitable purposes for the public benefit is included throughout the annual report.

- In 2019/20 Northumbria University charged £9,250 fee for Home/ EU Undergraduate students, the maximum fee permissible and in line with the majority of English HEIs. In recognising that life chances are unequal in society, a longstanding commitment to securing access to HE for students from a range of disadvantaged backgrounds is key. The University's commitment to widening participation and equality of opportunity across the whole student lifecycle is set out in its new five-year Access and Participation Plan 2020/21 – 2024/25 approved by the Office for Students (OfS) in December 2019. The plan is effective for a period of five years unless amendments are required by the Regulator. The plan is outcome focused and ambitious. It includes a series of stretching targets across the Access, Success and Progression lifecycle which will be monitored annually by the OfS. Examples include targets to half the attainment gap between white and black students over a five year period and to half the gap in continuation between students in POLAR Quintiles Q1 and Q5 in the same timeframe. A full review of the student lifecycle versus under-represented groups was undertaken when preparing the 2020/21 Access and Participation Plan. This compared University performance over the previous five years against the sector and was underpinned by datasets provided by the OfS. This showed that the University had performed well against the sector (and regional comparators) in a number of areas including non- continuation – gaps between white and other ethnicities, Mature students – gaps in attainment between young and mature.

- Across 2013-2018, Northumbria's investment in widening participation has helped close the gap between highest (POLAR4 Q5) and lowest (POLAR4 Q1) participation groups in HE, which in 2018 was at 23.6% and 17.6% respectively (a reduction in the gap between Q1 and Q5 by 6.9%). This has been achieved whilst incrementally increasing the average entry tariff of Northumbria's undergraduates. The latest OfS Access and Participation dashboard published in Spring 2020 shows that good progress has been made on a number of targets across Access, Success and Progression ahead of the 2020/21 plan becoming effective.
- In 2019/20, the University invested nearly £10 million in access, success and progression, and £1.4 million in hardship support and is preparing to sign up to the Social Mobility Pledge: the Northumbria University Opportunity Action Plan will demonstrate the University's commitment to making a positive impact in the local communities and playing a leading role in tackling the developing COVID-19 Opportunity Gap.

Northumbria has a longstanding programme of outreach activity delivered from Year 5 through to mature students, to encourage students from all backgrounds to progress to HE. These include:

- 'NU Entry', to equip Year 12 and 13 students with specific skills necessary for successful undergraduate study and have the opportunity to earn points, equivalent to UCAS tariff points for access to Northumbria. This was completed by over 900 students in 2019/20.
- the North East Raising Aspiration Partnership (NERAP) collaboration between the five North East universities to support progression to HE, specifically for key vulnerable groups.

- the North East Collaborative Outreach Programme (NECOP), part of the UniConnect Programme (NCOP), working with universities and colleges in the North East region to support young people in the North East in considering their future options and pathways available to them.
- attracting full-time undergraduate care leavers to Northumbria, with a 39% increase between 2014 entry and 2018 entry, at 39 entrants in 2018/19.

Northumbria provides targeted, personalised support to reduce the gaps in performance for under-represented groups through wellbeing, learning and employability initiatives which includes:

- Learning Analytics - personalised, targeted support for students who are at risk of non-continuation, based on data driven insights we actively intervene for those students to maximise support for them to succeed.
- Working with students and the Students' Union to co-design a university-wide peer support scheme, empowering and training student mentors across a targeted range of support areas and specifically targeted at underrepresented groups, including wellbeing and academic success, and employability.
- Targeted employability initiatives and opportunities including internships, placements, study abroad, recruitment simulation, enterprise and career readiness, and alumni mentoring.

Statement of corporate governance

The University of Northumbria at Newcastle was incorporated as a Higher Education Corporation (HEC) following the passing of the Education Reform Act 1988. Northumbria was granted 'university' title and associated powers in the Further and Higher Education Act 1992. Our Instrument and Articles of Government - last amended by Order of the Privy Council in 2012 - set out the objects, powers and constitution of the Board of Governors, Academic Board and the Vice-Chancellor and Chief Executive and can be found on the University's website. The Higher Education and Research Act 2017 provides the opportunity for HECs, including Northumbria, to deregulate, amend and potentially revoke and replace the Instrument and Articles of Government with an alternative governing instrument relevant to any new legal form adopted by the University. The Board of Governors will determine whether it wishes to do this during 20120/21, when it conducts a Governance Effectiveness Review and reviews its governing documents in light of "model" changes recommended by a national working group exploring HEC governing instruments reform.

The Board of Governors is the Trustee Board of Northumbria as an exempt charity. The Board confirms that it complies with the HE Code of Governance published by the Committee of University Chairs (CUC) in June 2018.

The Board has responsibility for determining the mission, strategy and educational character of the University, and works closely with the University Executive, chaired by the Vice-Chancellor and Chief Executive, to deliver the University's priorities and achieve its sustainability and success. The Board is responsible for the stewardship and safeguarding of the University's resources, assets and reputation, and assures itself of compliance with legal and regulatory obligations.

The Board of Governors has a range of strategic, regulatory and wider stewardship responsibilities which are not delegated to any other individual(s) or bodies. The Board's strategic responsibilities include approving and reviewing performance against Vision 2030 and the University Strategy 2018-23 and other key plans. The Board's regulatory and stewardship responsibilities centre on its role as Northumbria's ultimate legal authority and for safeguarding the University's assets and its financial sustainability, and receiving assurance that its systems comply with the University's legal and regulatory obligations, including as an exempt charity, and of the OfS.

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

- ensuring that the Vice-Chancellor and Chief Executive effectively leads the academic and executive management of the University: The University Executive is the University's senior leadership team, comprising individuals with academic and professional support portfolios. The role of the University Executive is to advise the Vice-Chancellor and Chief Executive who is responsible for strategic and operational management.
- its Committees: The Board has committees with responsibility for Employment and Finance, Strategic Performance, Audit, Nominations and Remuneration. The Academic Board, chaired by the Vice-Chancellor and Chief Executive, makes reports to the Board of Governors.

The Board and/or its Committees oversee, via routine reports, Northumbria's corporate governance arrangements and the adequacy and effectiveness of related arrangements for compliance with legal and regulatory matters (including OfS registration conditions), risk management and

internal controls, including those relating to the regularity and propriety of the use of public funding. Measures taken to ensure the regularity and propriety of the use of public funding include:

- clear remits of the Board of Governors and its Committees;
- clear Financial Regulations which include both a Delegated Authority Matrix, and working to the highest standards of openness, integrity and accountability via the seven Principles of Public Life;
- a suite of policies on counter fraud and bribery, anti-money laundering, gifts and hospitality, and travel and expenses;
- procedures that ensure appropriate segregation of duties;
- annual external audit of financial statements;
- annual internal audit plan which includes a routine audit core financial controls and, during 2019/20, additional audit work considering financial procedures changed by modified working arrangements arising from the restrictions caused by the Covid-19 pandemic;
- appropriate data assurance arrangements for external data returns;
- research grant audits (where publicly funded).

The role of each Committee of the Board of Governors, and the Academic Board, is summarised below.

Committee	Role/responsibilities
Employment and Finance Committee	<ul style="list-style-type: none"> Approves and monitors employment strategy and policy, finance strategy, estates, IT and other capital projects to support the University Strategy 2018-23.
Strategic Performance Committee	<ul style="list-style-type: none"> Advisory role to the University Executive and the Board of Governors in relation to performance against the University Strategy 2018-23, and the related strategic plans.
Remuneration Committee	<ul style="list-style-type: none"> Oversight of the remuneration policy and remuneration of senior staff, including the performance-based reward scheme. Determines base pay decisions.
Audit Committee	<ul style="list-style-type: none"> Provides assurance to the Board of Governors on the adequacy of the University's framework for financial compliance and integrity. Oversight of internal and external audit arrangements. Oversight of the wider control and compliance environment including risk management, value for money, data quality and assurance arrangements, health, safety and wellbeing measures and whistleblowing.
Nominations Committee	<ul style="list-style-type: none"> Oversight of corporate governance arrangements, including Governor recruitment and development. Makes recommendations to the Board on its membership and that of its Committees.
Academic Board	<ul style="list-style-type: none"> Advises the Vice-Chancellor and Chief Executive on matters of academic strategy and policy, and (although not a Committee of the Board) makes reports to the Board of Governors. Remit includes academic quality and standards and enhancement, the student experience and research and innovation activities. Sub-committees to oversee education, research, knowledge exchange and international policy and performance matters.

Information on Northumbria's Leadership and Governance arrangements is publicly available on the University website, and queries can be raised with the Secretary to the Board. Further transparency is provided via the University's Register of Interests for Governors and senior staff members.

The arrangements described in this statement apply to the period covered by this Annual Report and Financial Statements and up to the date of approval of financial statements and the period up to the date of approval of the audited financial statements.

Trade Union Facility Time for the period 1 April 2019 to 31 March 2020

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

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

Total number of employees who were relevant union officials during the period 1 April 2019 to 31 March 2020

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
35	33.18

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

Percentage of time	Number of Employees
0%	0
1-50%	34
51-99%	0
100%	1

The percentage of the total pay bill spent on facility time

Total cost of facility time	£206,319
Total pay bill	£151,209,713
Percentage of the total pay bill spent on facility time	0.14%

Hours spent by employees who were relevant union officials during the period on paid trade union activities as a percentage of total paid facility time hours

(Total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100
20.03%

Statement of internal control

The Statement of Internal Control (SIC) has been produced in line with the OfS Regulatory Advice Note 9: accounts directions and is informed by the British Universities Finance Directors Group (BUFDG) guidance and best practice in other sectors. This Statement confirms that the Board understands and applies its responsibility for ensuring that a sound system of internal control and robust risk management arrangements are maintained, and that it reviews their effectiveness through Audit Committee. The Audit Committee is informed by a range of assurance sources, including internal and external audit as well as direct reports from University Executive on risk and control matters.

In line with OfS requirements and the CUC Higher Education Code of Governance (June 2018), the Board of Governors has received assurance that an effective system for managing risk is in place across the University. The Board and the University Executive set the tone for risk management across the University, through their respective oversight and ownership of strategic risks related to the full range of business, financial, operational and compliance activities. The University's Risk Management Framework can be found on the University's website. In line with this Framework, Strategic Risks, which are discussed in the Principal Uncertainties section of this report, are reviewed periodically at Board and key Board Committees to ensure that the latest sector insight and agenda items inform the overall risk profile and understanding of the

changing context that influence them and the related mitigations. All risks are anchored to related strategic objectives to ensure all efforts to manage risk are appropriately focused on achieving Northumbria's objectives. A suite of Risk Registers across the University allows risks to be identified, managed, and escalated as appropriate. Risks may also be identified through internal incident and near miss reporting arrangements and knowledge of incidents in the HE and other sectors.

Northumbria's approach to internal control is risk-based, and we acknowledge that internal control systems cannot eliminate all risks or control weaknesses or failures. Our business continuity arrangements and critical incident planning are therefore crucial elements of our approach to managing risks that may occur and to maintaining appropriate internal controls that respond to such situations. These arrangements have been utilised and tested in real time during 2019/20, in how the University responded to the Covid-19 pandemic and a cyber incident (August 2020).

The Board has received assurance, through reports from the University Executive and through its Audit Committee, on its internal control environment. The Head of Internal Audit opinion provided reasonable assurance that Northumbria University has adequate and effective arrangements to achieve management's objectives over risk management, control and governance, and economy,

efficiency and effectiveness (value for money) arrangements, except in relation to Information System specific controls. Remedial actions to improve related policy arrangements were agreed with the Audit Committee and will be monitored by University Executive.

On 28 August 2020, the University suffered a cyber incident which resulted in a number of systems being affected. This caused significant (but temporary) disruption to business activities. Critical incident actions ensured a swift response to provide business continuity and the University has taken steps to restore all critical IT infrastructure. Due to the robust server backup system in place at the time of the incident, the University has been able to fully recover from the incident. The University notified the relevant regulatory authorities including reporting the incident to the Office for Students (as a Reportable Event) and the Information Commissioner's Office. Investigation and recovery work was undertaken, in conjunction with law enforcement bodies, insurers and IT specialists. The University takes its IT Security seriously. We have as a consequence of this incident taken steps to further reinforce our security including; additional monitoring, enhanced firewall protection and extended vulnerability scanning.

The arrangements described above apply to the period covered by the financial statements and the period up to the date of approval of the audited financial statements.

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

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

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

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

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

The Board of Governors is responsible for keeping proper accounts and proper records in relation to the accounts.

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

The Board of Governors is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KEY ACHIEVEMENTS – GLOBAL REACH & LOCAL IMPACT

Professor Greta Defeyter has been listed as one of The Big Issue's Top 100 Changemakers for 2020 for her research on food poverty in children making a positive impact on society. The magazine's annual list of changemakers recognises some of the "awe-inspiring" individuals and organisations doing what they can to make things better in Britain and beyond.

First ever nursing degree apprentice students in the UK completed their programme/graduated and joined the front line in middle of pandemic.

Northumbria worked with Newcastle and Sunderland Universities to produce and design PPE during pandemic, in particular developing a new type of visor which is easier to mass produce. The visors were distributed to local NHS Trusts and the design made available through open source design so that anyone can download it.

Secured £50,000 seed corn funding to prepare detailed bid for up to £50 million from UKRI's Strength in Places Fund to develop the International Centre for Connected Construction, to be based in the North East. This project is led by Northumbria on behalf of a large consortium of public and private sector partners from across the region.

Partner in the UK coronavirus genome sequencing project, enabled by state-of-the-art supporting infrastructure and with the laboratory operating from April 2020, during the national lockdown.

Member of £2.7 million Advancing Circular Economy research and development project with Procter & Gamble, Prozomix and Newcastle University to make North East a leader in environmentally friendly innovation for everyday consumer products.

Member of Northern Accelerator, which launched £1.7m Seed Investment Fund to invest in businesses with best commercial ideas and high growth potential.

Cultural and educational links between the UK and China have been strengthened following the announcement of a new partnership with two Chinese cultural institutions: Yunnan Provincial Museum and Yunnan Art Gallery.

Winners of the highly-prestigious Green Gown Award for the transformational work of our student law office in benefitting society.

Annual remuneration statement

This Annual Remuneration Statement 2019/20 complies with the Higher Education Senior Staff Remuneration Code, published by the CUC in June 2018, and the OfS Regulatory Advice 9: Accounts Direction. The Statement is the Appendix of a more detailed Annual Remuneration Report for the same period. Remuneration Committee's remit and membership for 2019/20 is provided on the University's website and in its Annual Report and Financial Statements 2019/20.

Approach to senior staff remuneration at Northumbria University

The CUC Higher Education Senior Staff Remuneration Code requires adherence to the following principles:

- I. a fair, appropriate and justifiable level of remuneration;
- II. procedural fairness; and
- III. transparency and accountability.

The Remuneration Committee aspires for the University's governance framework and arrangements for senior staff remuneration to be modern, progressive and at the forefront of best practice in the HE sector. The Vice-Chancellor and Chief Executive is not a member of the Committee and has no role in discussing or determining his own salary or wider remuneration.

The University's approach to senior staff remuneration is considered appropriate to support our University Strategy 2018-23, our financial sustainability and our culture and values. Remuneration is one of a number of influential factors in the recruitment, retention and recognition of a high quality and diverse workforce. Senior staff remuneration levels at Northumbria are set in the context of the significant achievements of the University. The success of the University reflects the contributions of all staff at Northumbria. Notwithstanding this, the leadership and direction of senior management have driven its achievements.

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

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

- publicly available data with commentary and context as published in each HEI's annual financial statements on the base salary and total remuneration (including other taxable and non-taxable benefits) of the heads of institution in the North East region based on three years of prior data;

- five-year data with commentary and context on the total remuneration packages of heads of institution at number of University Alliance institutions¹;
- UCEA Remuneration Survey Data of all HEIs, and disaggregated data for HEIs based on turnover, and the median, mean, upper quartile and upper decile analysis of salary levels.
- Relevant CUC data
- The Chair's assessment on the performance of the Vice-Chancellor and Chief Executive in delivering his annual objectives.

The base salary for this role increased in August 2019 by 1% which was lower than the 1.8% increase paid to staff covered by national pay bargaining. In the previous four years the Vice-Chancellor's base salary increased by the same percentage as other staff. Below is a breakdown of the Vice-Chancellor and Chief Executive's remuneration for 2019/20 (and 2018/19 for comparative purposes):

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

AUDITED INFORMATION

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'000	£'000
Emoluments of the Vice-Chancellor and Chief Executive		
Salary	257	255
Payments in lieu of pension contributions*	26	26
Annual performance based reward scheme	17	24
Benefits in kind	2	2
	302	307
Pension contributions to USS*	16	15
	318	322

*In line with the University's alternative remuneration scheme, the Vice-Chancellor and Chief Executive partially opted out of the USS pension scheme in April 2017; from this date he has received payments from the University in lieu of the pension contributions the University is no longer making. These payments are made at a rate of 13% as opposed to a USS pension contribution rate of 21.1%.

During 2019/20 the Remuneration Committee considered the pay ratios of the Vice-Chancellor and Chief Executive to the median salary of all employees calculated using UCEA data. The Committee welcomed the reduction in both base salary and total remuneration ratios. The calculations for 2019/20 and 2018/19 are provided below:

AUDITED INFORMATION

	Year Ended 31 July 2020	Year Ended 31 July 2019
Definition	Headline calculation	Ratio
Base salary ratio The Vice-Chancellor and Chief Executive's basic salary as a ratio of the median basic salary of all staff expressed as full-time equivalent.	£257k: highest base salary (Vice-Chancellor and Chief Executive) £40k: median staff base salary	6.4
Total remuneration ratio The Vice-Chancellor and Chief Executive's total remuneration as a ratio of the median total remuneration of all staff. The total remuneration includes basic salary, pension contributions, supplement in lieu of pension contributions, annual performance based reward and excludes benefits in kind.	£316k: total remuneration of the Vice-Chancellor. £48k: Median staff base salary.	6.6

The Vice-Chancellor and Chief Executive's performance is reviewed annually by the Chair of the Board of Governors. The assessment is based on the achievement of annual objectives agreed at the start of the academic and financial year and which relate to the strategic leadership and management of the University. These objectives relate to the delivery of the Strategic Outcomes in the University Strategy 2018-23 which aim to reposition Northumbria in the top 30 of UK universities by 2023. The role-holder's performance is then assessed by the Remuneration Committee under the terms of the annual performance-based incentive scheme and against the annual objectives set by the Chair.

The achievements listed in the Annual Report and Financial Statements 2018/19 are the outcomes of the strategic objectives against which the Vice-Chancellor and Chief Executive's performance was assessed in October 2019 and the Performance Scheme payment of £16,705 was determined based on his performance in 2018/19. The first year of the 2018-23 University Strategy was a successful year for Northumbria under the Vice-Chancellor's leadership, despite a challenging external environment with political turbulence, economic uncertainty and increased competition. Northumbria continued its rise in the Times Higher Education World University Rankings 2020, to move

into the top 351-400 universities, and its rank position on citations in [the top 10% of journals] rose 76 places to 173rd globally, and to 27th of the 100 UK universities ranked in this table. In other league tables, a top 50 ranking in the Complete University Guide and Guardian University Guide and a move to 97th in the Times Higher Education World Young University Rankings, up from 138th, was achieved. Strong recruitment, in terms of volume and quality, was maintained in an ever-more competitive environment. Growth in its masters, doctoral, international and degree apprenticeship student cohorts continued, with the London and Amsterdam campuses also seeing improved growth, and Northumbria has secured a leading position in the provision of Degree Apprenticeships, educating future officers for Northumbria and Durham Police Forces. Research awards saw a notable improvement to £21.8m during 2018/19, an increase of 56% on the 2017/18 total and significantly higher than any previous year, reflecting the growing national and international recognition of Northumbria's research. 2018/19 also saw the completion of our exciting £6.7m international Architecture studio space extension to Sutherland Building, which has won a Royal Institute of British Architects (RIBA) North East Award.

In light of the challenges presented by Covid-19, all members of the Senior

Management Group including the Vice-Chancellor and Chief Executive indicated to the Remuneration Committee that members would not accept any offer of a bonus payment under the Strategic Incentive Scheme for Exceptional Performance in 2019/20 or 2020/21 and communicated this to the Remuneration Committee and the Board in April 2020.

Base pay of University Executive and the Senior Management Group (SMG)

On an annual basis, Remuneration Committee reviews the salary levels of all members of the University Executive and Senior Management Group, on the recommendation of the Vice-Chancellor and Chief Executive to Remuneration Committee, taking into account a review of relevant sector and market pay data. The base salary levels of all members of the University Executive and Senior Management Group increased from 1 August 2019 (determined during 2018/19) by 1% compared to the 1.8% increase applied to other staff.

In light of the challenges presented by Covid, there has been no increase in the base salaries for this group for 2020/21.

The total base pay of the University Executive members, who are defined for reporting terms as the 'key management personnel²', is provided in the table below and provides a comparison between 2019/20 and 2018/19:

Key management personnel compensation (i.e. remuneration)	
AUDITED INFORMATION	
	Consolidated
	Year Ended 31 July 2020
	Year Ended 31 July 2019 (restated)
	£'000
	£'000
	3,098
	2,823

² Defined as those persons having authority and responsibility for planning, directing and controlling the activities of the University. The Vice-Chancellor and Chief Executive has the overarching responsibility for maintaining and promoting the institution's efficiency, academic excellence and financial robustness. He is supported by the University Executive which has overall responsibility for delivery of the University Strategy. The University Executive advises the Vice-Chancellor and Chief Executive in his strategic, policy and executive management responsibilities, co-ordinating and integrating activities through individual portfolios of responsibility and the recommendations collectively made or supported by the Executive group. The 2019 figure is restated due to an error identified. In 2018/19 the University Executive had 14 members. In 2019/20 this was expanded to 16

The base salaries of higher paid staff are provided in the table below in £5k bands over £100k as required by the OfS Accounts Directions. Not all members of the University Executive and Senior Management Group receive a base salary (or total remuneration) of £100k or more, hence the differences between the table below and total senior staff remuneration.

There are two members of staff who earn more than £100k and are not members of University Executive or the Senior Management Group

AUDITED INFORMATION		
	2019/20	2018/19
	Staff FTE	Staff FTE
Remuneration of other higher paid staff		
£100,000 – £104,999	-	1
£105,000 – £109,999	1	1
£110,000 – £114,999	1	2
£115,000 – £119,999	1	-
£120,000 – £124,999	1	3
£125,000 – £129,999	6	6
£130,000 – £134,999	1	-
£135,000 – £139,999	2	2
£140,000 – £144,999	1	-
£145,000 – £149,999	1	1

Performance-based Reward Scheme

The Board of Governors approved, on the recommendation of Remuneration Committee, assessments of performance for those in the scheme in October 2019 and £151,649 was awarded under the Scheme (for academic year 2018/19), based on 18 eligible staff (£194.5k was awarded in October 2018, based on performance in 2017/18 for 20 eligible staff).

As explained above, no payments will be made in respect of the academic year 2019/20.

Compensation for loss of office (AUDITED INFORMATION)

A total amount of £549k (2019: £1,683k) was charged to the statement of comprehensive income and expenditure in relation to 37 individuals (2019: 57) as compensation for loss of office (excluding payments in lieu of notice).

External appointments and expenses

University Executive and Senior Management Group members must seek approval for any proposed external

appointments and, along with all members of the Board of Governors, are required to disclose all relevant interests on the University's Register of Interests. The Vice-Chancellor and Chief Executive is currently a Non-Executive Director (NED) of the Board of the Student Loans Company (SLC), having been appointed from 1 January 2018 for three years. He also served as Interim Chair of the SLC from 1 February - 31 March 2020, and as a member of the Audit Committee to 31 January 2020. Total remuneration, including for the period as Interim Chair, was £18k. The fee is paid to the Vice-Chancellor and Chief Executive (to allow income tax and National Insurance contributions to be deducted) and, as agreed with Remuneration Committee, is subsequently transferred to the University's Access to Learning Fund (ALF), for student hardship.

Senior staff, as with all staff, must comply with the University's Travel and Expenditure Policy which requires the reasonable, proportionate and accountable use of expenses, noting that these incurred solely for business purposes and are wholly separate from

remuneration. All expenditure for the Vice-Chancellor and Chief Executive, University Executive and SMG is wholly and exclusively for approved University business with the aim of enhancing the outcomes for students and staff. Services are procured in accordance with the University's Financial Regulations. Expenses incurred by the Vice-Chancellor and Chief Executive are subject to approval by the Chair of the Board of Governors, with all other expenses for University Executive and SMG members approved by the relevant line manager. We welcome the additional focus to be provided by the OfS in delivering value for money. The University discloses information as requested under Freedom of Information (FoI) in relation to senior staff expenses.



Other Remuneration Matters (AUDITED INFORMATION)

In accordance with the Instrument of Government as approved by the Privy Council and informed by Charity Commission advice, the Board of Governors has the power to remunerate the Chair of the Board and Chairs of Committees for their services as Governors. Governors who are also employees or students of the University are not entitled to claim such remuneration. This is supported by a Governor/Trustee Remuneration Policy approved by the Board of Governors in November 2017 (and from which those Governors who were beneficiaries of it were exempt from voting).

During 2019/20 the following Governors* were remunerated:

Christopher Sayers, Pro-Chancellor and Chair of the Board of Governors - £25,000 (2019: £25,000).

Alasdair Corfield, Independent Governor and Chair of Audit Committee - £7,500 (2019: £7,500).

Dr Graham Hillier, Independent Governor and Chair of Employment and Finance Committee - £7,500 (2019: £7,500).

David Warcup QPM, Senior Independent Governor and Chair of Remuneration Committee - £1,250 (2019: £7,500).

Alison Alden, OBE, Independent Governor and Chair of Strategic Performance Committee - £7,500 (2019: £7,500).

Peter Judge MBE, Senior Independent Governor and Chair of Remuneration Committee - £3,831 (2019: £nil)

*Please see Register of governors and professional advisers for dates of appointment/departure.

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

The Chancellor of the University receives no remuneration for the extensive ambassadorial

role she plays on behalf of the University

All Governors are entitled to reimbursement of expenses incurred directly in attending meetings or other direct Board and Committee-related events, provided that the claim is in accordance with the Financial Regulations, including the production of relevant receipts. In 2019/20, nine Governors claimed a total of £5,671 in expenses (2019: seven Governors claimed a total of £3,581).



Register of governors and professional advisors

The Chancellor

The Baroness Grey-Thompson DBE, DL.

The Board of Governors

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

Alison Allden OBE ³	(Independent Governor)
Craig Apsey	(Independent Governor)
James Bromiley	(Independent Governor)
Jean Brown	(Academic Board Nominee)
Lorraine Brown	(Elected Professional Support Staff Representative)
Alasdair Corfield	(Independent Governor)
Helen Fairfoul ⁴	(Independent Governor)
Dr Stuart Fancey ⁵	(Independent Governor)
Sophie Haagensen ⁶	(Independent Governor)
Tom Harrison ⁷	(Independent Governor)
Lucy Hatt ⁸	(Academic Board Nominee)
Dr Graham Hillier ⁹	(Independent Governor)
Peter Judge MBE ¹⁰	(Senior Independent Governor)
Emmanuel Kabengele	(Nominated Students' Union Representative)
Sally Pelham ¹¹	(Pro-Chancellor and Deputy Chair of the Board)
Nicholas Pope	(Independent Governor)
John Taylor	(Elected Academic Staff Representative)
Amy Rice-Thomson	(Independent Governor)
Chris Sayers ¹²	(Pro-Chancellor and Chair of the Board)
Claudia Shaw	(Nominated Students' Union Representative)
Helen Thorne MBE	(Independent Governor)
Professor Andrew Wathey CBE	(Vice-Chancellor and Chief Executive)
David Warcup QPM ¹³	(Senior Independent Governor)
Dr Jeya Wilson	(Independent Governor)
Simon Yellowley ¹⁴	(Independent Governor)

Secretary to the Board of Governors: **Susan O'Donnell**

³ Term of office ended on 3 July 2020.

⁴ Three year term of office commenced on 1 March 2020.

⁵ Three year term of office commenced on 1 January 2020.

⁶ Three year term of office commenced on 1 January 2020.

⁷ Resigned on 9 December 2019.

⁸ Left the University 2 July 2020.

⁹ Term of office ended on 3 July 2020.

¹⁰ Three year term of office commenced on 1 January 2020; appointed Senior Independent Governor from 27 January 2020.

¹¹ Served as temporary Senior Independent Governor from 184 November 2019 to 26 January 2020

¹² Term of office ended on 31 July 2020.

¹³ Resigned on 30 September 2019.

¹⁴ Three year term of office commenced on 1 January 2020.

Membership of the Committees of the Board in 2019/20 (other than Academic Board) are provided below:

Audit Committee	Employment and Finance Committee
Alasdair Corfield (Chair)	Dr Graham Hillier (Chair until 3 July 2020)
David Jennings (Co-opted Member)	Helen Fairfoul (from 1 March 2020, Chair from 4 July 2020)
Peter Judge MBE (from 1 January 2020)	Craig Apsey
Nicholas Pope (until 18 November 2019)	James Bromiley (until 18 November 2019)
Amy Rice-Thomson	Dr Stuart Fancey (from 1 January 2020)
David Warcup QPM (until 30 September 2019)	Tom Harrison (until 9 December 2019)
James Bromiley (from 19 November 2019)	Sally Pelham
	Nicholas Pope (from 19 November 2019)
	Chris Sayers
	Adam Serfontein (Co-opted Member)
	Professor Andrew Wathey CBE

Nominations Committee	Remuneration Committee
Chris Sayers (Chair)	Peter Judge MBE (Chair from 27 January 2020)
Alison Allden OBE (until 3 July 2020)	David Warcup QPM (Chair until 30 September 2019)
Craig Apsey (from 4 July 2020)	Alison Allden OBE (until 3 July 2020)
Alasdair Corfield	Graeme Hudson (Co-opted Member)
Helen Fairfoul (from 4 July 2020)	Sally Pelham (from 18 November 2019 to 26 January 2020)
Dr Graham Hillier (until 3 July 2020)	Chris Sayers
Peter Judge MBE (from 27 January 2020)	
David Warcup QPM (until 30 September 2019)	
Professor Andrew Wathey CBE	

Strategic Performance Committee
Alison Allden OBE (Chair until 3 July 2020)
Craig Apsey (Chair from 4 July 2020)
Graham Atkinson (Co-opted Member)
Sophie Haagensen (from 1 January 2020)
Tom Harrison (until 9 December 2019)
Chris Sayers
Claudia Shaw
Helen Thorne MBE
Professor Andrew Wathey CBE
Simon Yellowley (from 1 January 2020)

Register of interests

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

Secretary to the Board of Governors

c/o Vice-Chancellor's Office
Sutherland Building
College Street
Newcastle upon Tyne
NE1 8ST
Telephone +44 (0)191 227 4222

External auditor

KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Internal auditor

Ernst and Young LLP (EY)
Citygate, St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

Barclays Bank plc

49-51 Northumberland Street
Newcastle upon Tyne
NE1 7AF

Bank of Scotland

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

Handelsbanken

Carlton House
2 Manor Road
Tynemouth
NE30 4RH

HSBC

Floor 3, Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Nationwide Building Society

Kings Park Road
Moulton Park
Northampton
NN3 6NW

Santander UK plc

Level 9 Baltic Place
South Shore Road
Gateshead
NE8 3AE

ABN AMRO Bank N.V.

Foppingadreef
22 Amsterdam
BO-number 3069.63

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

Opinion

We have audited the financial statements of Northumbria University ("the University") for the year ended 31 July 2020 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated Statement of Changes in Reserves, The University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the Consolidated and University Statements of Cashflows and related notes, including the Statement of Principal Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2020, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Basis for opinion

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

independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The Board of Governors is responsible for the other information, which comprises the Vice-Chancellor and Chief Executive's Forward, the Chair's Introduction, the Key Achievements, the Vision Strategy and Impact, the Operating and Financial Review, the Principal uncertainties and how we respond to them, the Public Benefit Role, the Statement of Corporate Governance and the Statement of Internal Control, the Annual Remuneration Statement and Register of Governors and Professional Advisers. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Board of Governors responsibilities

As explained more fully in their statement set out on page 23, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent

University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

Report on other legal and regulatory requirements

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work

indicate that the Group's and the University's expenditure on access and participation activities for the financial year disclosed in Note 9 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in Note 2 to the financial statements has been materially misstated.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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



Clare Partridge
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

25 February 2021

Financial statements

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE YEAR ENDED 31 JULY 2020

	Note	Year Ended 31 July 2020		Year Ended 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	216,599	202,054	193,770	186,827
Funding body grants	2	22,120	22,120	20,347	20,347
Research grants and contracts	4	9,970	9,970	8,620	8,620
Other income	5	28,195	29,770	31,096	31,942
Investment income	6	294	296	325	326
Total income		277,178	264,210	254,158	248,062
Expenditure					
Staff costs					
Before exceptional pension costs	7	166,502	166,118	151,118	150,639
Exceptional pension (credit) / costs	7	(2,562)	(2,562)	17,029	17,029
Total staff costs		163,940	163,556	168,147	167,668
Other operating expenses		80,479	68,667	75,418	68,839
Depreciation and amortisation	14,15	20,847	20,847	20,168	20,168
Interest and other finance costs	10	6,033	6,033	5,875	5,875
Total expenditure		271,299	259,103	269,608	262,550
Surplus / (deficit) before tax		5,879	5,107	(15,450)	(14,488)
Taxation	11	371	116	-	-
Surplus / (deficit) for the year		5,508	4,991	(15,450)	(14,488)
Actuarial (loss) in respect of pensions	25	(106,733)	(106,733)	(22,946)	(22,946)
Change in fair value of hedging financial instruments	26	(1,345)	(1,345)	(1,468)	(1,468)
Exchange differences on translation of foreign operations		(23)	-	(36)	-
Total comprehensive expense for the year		(102,593)	(103,087)	(39,900)	(38,902)
Represented by					
Unrestricted comprehensive expense for the year		(102,593)	(103,087)	(39,900)	(38,902)
Surplus / (deficit) for the year attributable to:					
Non-controlling interest		1,090	-	-	-
University		4,418	-	(15,450)	-
Total comprehensive (expense) / income for the year attributable to:					
Non-controlling interest		1,090	-	-	-
University		(103,683)	-	(39,900)	-

All items of income and expenditure relate to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES YEAR ENDED 31 JULY 2020

		Income and expenditure account - unrestricted	Hedging reserve	Non-controlling interest	Total
	Note	£'000	£'000	£'000	£'000
Balance at 1 August 2018		181,306	(18,860)	-	162,446
Deficit from the statement of comprehensive income and expenditure		(15,450)	-	-	(15,450)
Actuarial loss on pension schemes	25	(22,946)	-	-	(22,946)
Change in fair value of hedging financial instruments	26	-	(1,468)	-	(1,468)
Exchange differences on translation of foreign operations		(36)	-	-	(36)
Total comprehensive expense for the year		(38,432)	(1,468)	-	(39,900)
Balance at 1 August 2019		142,874	(20,328)	-	122,546
Surplus from the statement of comprehensive income and expenditure		4,418	-	1,090	5,508
Actuarial losses on pension schemes	25	(106,733)	-	-	(106,733)
Change in fair value of hedging financial instruments	26	-	(1,345)	-	(1,345)
Exchange differences on translation of foreign operations		(23)	-	-	(23)
Total comprehensive expense for the year		(102,338)	(1,345)	1,090	(102,593)
Balance at 31 July 2020		40,536	(21,673)	1,090	19,953

UNIVERSITY STATEMENT OF CHANGES IN RESERVES YEAR ENDED 31 JULY 2020

		Income and expenditure account - unrestricted	Hedging reserve	Total
	Note	£'000	£'000	£'000
Balance at 1 August 2018		181,305	(18,860)	162,445
Deficit from the statement of comprehensive income and expenditure		(14,488)	-	(14,488)
Actuarial loss on pension schemes	25	(22,946)	-	(22,946)
Change in fair value of hedging financial instruments	26	-	(1,468)	(1,468)
Total comprehensive expense for the year		(37,434)	(1,468)	(38,902)
Balance at 1 August 2019		143,871	(20,328)	123,543
Surplus from the statement of comprehensive income and expenditure		4,991	-	4,991
Actuarial loss on pension schemes	25	(106,733)	-	(106,733)
Change in fair value of hedging financial instruments	26	-	(1,345)	(1,345)
Total comprehensive expense for the year		(101,742)	(1,345)	(103,087)
Balance at 31 July 2020		42,129	(21,673)	20,456

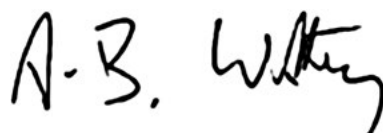
CONSOLIDATED AND UNIVERSITY BALANCE SHEETS AS AT 31 JULY 2020

	Note	As at 31 July 2020		As at 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
NON-CURRENT ASSETS					
Investments	12,13	-	1	-	1
Intangible assets	14	5,990	5,990	8,169	8,169
Tangible fixed assets	15	322,361	322,361	331,017	331,017
		328,351	328,352	339,186	339,187
CURRENT ASSETS					
Stocks		6	6	6	6
Trade and other receivables	16	31,032	21,790	18,920	17,288
Investments	17	-	-	5,003	5,003
Cash and cash equivalents	21	66,942	65,787	44,012	43,941
		97,980	87,583	67,941	66,238
Creditors - amounts falling due within one year	18	(66,714)	(55,815)	(56,355)	(53,656)
NET CURRENT ASSETS		31,266	31,768	11,586	12,582
TOTAL ASSETS LESS CURRENT LIABILITIES					
Creditors - amounts falling due after more than one year	19	(72,747)	(72,747)	(75,065)	(75,065)
Provisions					
Pension provisions	20	(264,529)	(264,529)	(151,621)	(151,621)
Other provisions	20	(2,388)	(2,388)	(1,540)	(1,540)
TOTAL NET ASSETS		19,953	20,456	122,546	123,543
Unrestricted reserves					
Income and expenditure reserve - unrestricted		40,536	42,129	142,874	143,871
Hedging reserve	26	(21,673)	(21,673)	(20,328)	(20,328)
Non-controlling interest		1,090	-	-	-
		19,953	20,456	122,546	123,543

The financial statements on pages 36 to 66 were approved by the Board of Governors on 22 February 2021 and signed on their behalf by:



Dr Roberta Blackman-Woods
Chair of the Board of Governors



Professor Andrew Wathey
Vice-Chancellor and Chief Executive

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CASH FLOWS YEAR ENDED 31 July 2020

	Note	As at 31 July 2020		As at 31 July 2019	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Cashflows from operating activities					
Surplus / (deficit) for the year		5,508	4,991	(15,450)	(14,488)
Adjustments for non-cash items					
Depreciation of fixed assets	15	17,475	17,475	17,508	17,508
Amortisation of intangible assets	14	3,372	3,372	2,660	2,660
Pension adjustments	25	6,015	6,015	12,910	12,910
Decrease in stock		-	-	3	3
(Increase) in debtors		(12,918)	(5,080)	(2,742)	(4,498)
Increase / (decrease) in creditors		11,040	2,637	(3,975)	(3,018)
Decrease / (increase) in pension provisions	20	(3,011)	(3,011)	5,353	5,353
Increase in other provisions		848	848	287	287
Investment income	6	(294)	(296)	(325)	(326)
Interest payable	10	6,033	6,033	5,875	5,875
Capital grant income		(2,551)	(2,551)	(1,650)	(1,650)
		31,517	30,433	20,454	20,616
Cashflows from investing activities					
Capital grants receipts		2,438	2,438	1,958	1,958
Investment income receipts		311	311	303	303
Payments made to acquire intangible assets		(1,249)	(1,249)	(2,642)	(2,642)
Payments made to acquire tangible fixed assets		(8,889)	(8,889)	(17,971)	(17,971)
Withdrawn deposits		5,003	5,003	14,897	14,897
		(2,386)	(2,386)	(3,455)	(3,455)
Cashflows from financing activities					
Interest paid		(2,901)	(2,901)	(3,060)	(3,060)
Repayments of amounts borrowed		(3,300)	(3,300)	(3,300)	(3,300)
		(6,201)	(6,201)	(6,360)	(6,360)
Increase in cash and cash equivalents in the year					
Cash and cash equivalents at the beginning of the year	21	44,012	43,941	33,373	33,140
Cash and cash equivalents at the end of the year	21	66,942	65,787	44,012	43,941

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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019), and comply with the Accounts Direction issued by the Office for Students. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets which are now held at deemed cost and derivative financial instruments which are held at fair value).

Going concern

The activities of the Consolidated Group and University, together with the factors likely to affect its future development, performance and position, are set out in the Operating and Financial Review on pages 9 to 14. This also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the Board of Governors consider to be appropriate for the following reasons.

The University prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. After reviewing these forecasts the Board of Governors is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19 the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The key items providing assurance to the Board are:

- Regular reviews of performance, including via the annual budgets and five-year forecasts submitted to the OfS;
- Regular reviews of performance against budgets and forecasts, using net adjusted operating cashflow as a key performance indicator relevant to institutional financial sustainability;
- The University's strategic risk register, and the reporting on this via the Employment & Finance and the Audit Committees;
- Updates on compliance with the financial covenants of the University's lenders, Barclays plc, and of OfS;
- Sensitivity analysis and scenario modelling to assess the impact of Covid-19, sector changes, revisions in government policy and variable student numbers; and

- Access to the CCFF which, whilst not expected to be required even under pessimistic downside scenarios, would be available were there to be a materially worsening of the financial position.

Consequently, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basis of consolidation

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

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

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

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

Income recognition

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

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

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

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

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

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

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

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

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

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

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

Capital grants

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

Investment income

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

Borrowing costs

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

Exceptional items

Exceptional items, being non-recurring items that are material by size and/or by nature, are presented within their relevant category in the Statement of Comprehensive Income and Expenditure but disclosed on a separate line. Events which may give rise to exceptional items include, but are not limited to, significant restructuring costs, significant impairments or pension movements linked to past service costs.

Accounting for retirement benefits

The four principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS), the Tyne and Wear Pension Fund (TWPF) and the Universities and Colleges Retirement Savings Scheme (UCRSS). Of these schemes, TPS, USS and TWPF are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

Under the definitions set out in FRS 102 (28.11), the TPS and USS are multi-employer pension schemes, given they are schemes for entities not under common control and represent industry-wide schemes.

The University is unable to identify its share of the underlying assets and liabilities of the USS plan. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer and hence there are no underlying assets and liabilities and accordingly, the University has accounted for its contributions to the scheme as if it were a defined contribution scheme.

The University is able to identify its shares of assets and liabilities of the TWPF Local Government Pension Scheme (LGPS) and accordingly reports it as a defined benefit scheme.

UCRSS is a defined contribution scheme.

Defined contribution scheme

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

The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in

the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in Consolidated Statement of Comprehensive Income and Expenditure in accordance with section 28 of FRS 102. The discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements are also recognised as a provision.

Defined benefit scheme

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

Employment benefits

Short term employee benefits

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

Annual performance-based incentive scheme

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

Operating leases

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

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of University entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the

functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations are translated to the group's presentational currency, Sterling, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Investments

Non-current investments, including investments in subsidiaries, jointly controlled entities and associates, are held on the University Balance Sheet at amortised cost less impairment.

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

Asset capitalisation policy

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

- Individually have a cost equal to or greater than £10,000; or
- Collectively have a cost equal to or greater than £10,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control; or
- Irrespective of their individual cost, form part of the initial equipping of a new building.

Tangible fixed assets

Cost (or deemed cost)

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

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

Assets under construction are stated at cost.

Depreciation

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

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

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

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

Intangible assets

Software and related costs (excluding any feasibility costs) are held at cost less accumulated depreciation and accumulated impairment losses. Internally generated intangible assets are capitalised once the development criteria established in FRS 102 section 18 have been met. Where tangible and intangible elements of an asset are incapable of separation, an assessment is made to determine which element is more significant and based on this the asset is either treated as a tangible or intangible asset.

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

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

Assets held for sale

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

Heritage assets

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

Stock

Stock is held at the lower of cost and net realisable value.

Cash and cash equivalents

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

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

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

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs.

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

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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

Derivatives

Derivatives are held on the Balance Sheet at fair value. The University has adopted and complied with the requirements of hedge accounting and as a result movements in fair value of hedging financial instruments are recorded within Other Comprehensive Income, through the hedging reserve.

Reserves

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

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

Critical accounting judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and

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

Estimates for the accounting for employee benefits

FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets for certain of the University's defined benefit plans. These are mainly actuarial assumptions such as discount rate, mortality rates and expected inflation rates. Differences arising from actual experience or future changes in assumptions will be reflected in future years. The key assumptions made for 2019 are included in note 23.

Fixed asset depreciation, intangible asset amortisation and useful economic life

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

Notes to the financial statements

For the Year Ended 31 July 2020

1. TUITION FEES AND EDUCATION CONTRACTS	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Full time home and EU students	161,355	159,696	145,918	144,744
Part time home and EU students	5,270	5,270	5,637	4,831
International students	42,061	29,308	27,641	22,655
Short courses	4,494	4,361	4,671	4,694
Nurse education training	2,579	2,579	9,133	9,133
Other fees	840	840	770	770
	216,599	202,054	193,770	186,827

2. FUNDING BODY GRANTS	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Recurrent grants				
Higher Education Funding Council			-	-
Office for Students	9,869	9,869	10,047	10,047
Research England	7,747	7,747	7,077	7,077
National College for Teaching and Leadership	725	725	730	730
Capital grants	2,551	2,551	1,650	1,650
Specific grants				
Higher Education Innovation Fund	631	631	750	750
Other	597	597	93	93
	22,120	22,120	20,347	20,347

3. GRANT AND FEE INCOME	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Grant income from the Office for Students	10,975	10,975	11,377	11,377
Grant income from other bodies	11,145	11,145	8,970	8,970
Fee income for taught awards	210,435	195,507	187,193	180,250
Fee income for research awards	1,050	1,050	564	564
Fee income for non-qualifying courses	5,632	5,497	6,013	6,013
	239,237	224,174	214,117	207,174

4. RESEARCH GRANTS AND CONTRACTS

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research councils	3,572	3,572	3,304	3,304
Research charities	1,165	1,165	699	699
Government (UK and overseas)	3,139	3,139	2,652	2,652
Industry and commerce	1,002	1,002	1,156	1,156
Other	1,092	1,092	809	809
	9,970	9,970	8,620	8,620

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 £12,118k (2019: £11,167k). 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.

5. OTHER INCOME

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residences, catering and conferences	9,708	9,708	11,591	11,591
Collaborative ventures	8,753	9,251	7,324	7,730
Other academic income	1,748	1,748	1,671	1,671
Rent and rates	1,373	1,458	1,473	1,558
Sports membership	692	692	774	774
IT helpline	1,016	1,016	1,279	1,279
Coronavirus Job Retention Scheme	826	484	-	-
Other	4,079	5,413	6,984	7,339
	28,195	29,770	31,096	31,942

6. INVESTMENT INCOME

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Investment income on short term deposits	294	296	325	326

7. STAFF COSTS

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Salaries	123,393	123,100	117,108	116,717
Social security costs	13,005	12,947	12,547	12,492
Other pension costs (note 25)	30,104	30,071	21,463	21,430
	166,502	166,118	151,118	150,639
Exceptional pension (credit) / costs (note 25)	(2,562)	(2,562)	17,029	17,029
	163,940	163,556	168,147	167,668

The exceptional pension (credit) / charges for the year were:

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
USS	(2,562)	(2,562)	5,759	5,759
LGPS past service cost	-	-	11,270	11,270
	(2,562)	(2,562)	17,029	17,029

USS

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. This led to an exceptional credit of £2,562k in the Statement of Comprehensive income and Expenditure.

	Consolidated	
	2020	2019
	Staff FTE	Staff FTE
Average staff numbers by major category (expressed as Full Time Equivalents (FTE))		
Academic	1,378	1,309
Academic support	162	166
Student support	385	381
Estates and accommodation	254	268
Administration and central services	557	560
	2,736	2,684

Other disclosures required by the OfS Accounts Direction are included within the Annual Remuneration Statement on pages 25 to 30 of these financial statements with required disclosures clearly marked as "audited information" in that statement.

8. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Academic faculties	116,368	114,629	108,567	107,490
Academic services	45,921	42,679	37,863	36,536
Administration	55,790	50,529	54,738	51,727
Premises	29,237	27,283	30,796	29,153
Residences, catering and conferences	9,098	9,098	8,758	8,758
Research grants and contracts	8,258	8,258	7,360	7,360
Other expenses	6,627	6,627	21,526	21,526
	271,299	259,103	269,608	262,550

Other operating expenses include

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
External auditor's remuneration in respect of audit services for the current year	107	76	75	56
External auditor's remuneration in respect of other assurance services	13	11	18	18
Operating lease rentals:				
Land and buildings	2,865	2,865	3,012	3,012
Plant and equipment	639	639	687	687

9. ACCESS & PARTICIPATION EXPENDITURE

Year Ended 31 July 2020

	Consolidated
	£'000
Access investment	3,202
Financial support provided to students	2,305
Support for disabled students	755
Research and evaluation of access and participation activities	-
	6,262

The above figures include staffing costs of £2,487k, which are included within the overall staff costs figures in note 7. The primary reason for the difference between the estimated expenditure is that the estimate included £0.45m of expenditure in relation to hardship funds and scholarships of which £0.2m has been spent, but is not to be included in the above table under the revised guidance issued by OfS.

The Access & Participation plan can be viewed here: www.northumbria.ac.uk/access-and-participation-plan

10. INTEREST AND OTHER FINANCE COSTS

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Interest on bank and other loans	2,859	2,859	3,018	3,018
Interest on LGPS defined benefit scheme	2,970	2,970	2,720	2,720
Interest on USS deficit recovery plan	142	142	66	66
Interest on enhanced pension scheme	62	62	71	71
	6,033	6,033	5,875	5,875

11. TAXATION

Recognised in the statement of comprehensive income

Current tax

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Current tax expense	255	-	-	-
Foreign tax	116	116	-	-
	371	116	-	-

Factors affecting the tax charge

The tax assessed is lower than the standard rate of corporation tax in the UK. The difference is explained as follows:

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Surplus / (deficit) before taxation	5,879	5,107	(15,450)	(14,488)
UK corporation tax at 19% (2019: 19%)	1,117	970	(2,936)	(2,753)
Effect of:				
Surplus / (deficit) falling within charitable exemption	(637)	(745)	2,936	2,753
Effects of foreign tax rates	(109)	(109)	-	-
	371	116	-	-

12. INVESTMENTS IN SUBSIDIARIES

The following companies are subsidiaries of the University:

Company	Country of registration	Activity	Issued share capital	As at 31	As at 31
				July 2020	July 2019
				£	£
University of Northumbria at Newcastle Developments Limited	England & Wales	Provision of Education Services	2 £1 Ordinary Shares (100% holding)	2	2
Northumbria International Limited	England & Wales	Support Services for Overseas Activities	1 £1 Ordinary Share (100% holding)	1	1
Northumbria University Nursery Limited	England & Wales	Provision of Nursery Services	1 £1 Ordinary Share (100% holding)	1	1
Northumbria University Services Limited	England & Wales	Provision of Support Staff to Northumbria University	1 £1 Ordinary Share (100% holding)	1	1
Northumbria London Campus Limited	England & Wales	Provision of Education Services at London Campus	501 £1 Ordinary Shares (50.1% holding)	501	501
Northumbria University Amsterdam B.V.	Netherlands	Provision of Education Services at Amsterdam Campus	1,000 €1 Ordinary Shares (100% holding)	890	890
				1,396	1,396

There have been no changes to investments over the year.

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

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

Pandon Building, Camden Street, NE2 1XE

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

Herikerbergweg 88; 1101 CM, Amsterdam; The Netherlands

13. INVESTMENTS IN JOINT VENTURES

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

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

14. INTANGIBLE ASSETS

	Consolidated and University		
	Software	Software assets under development	Total
	£'000	£'000	£'000
Cost			
At 1 August 2019	13,419	2,842	16,261
Additions in the year	131	1,062	1,193
Transfer	3,788	(3,788)	-
At 31 July 2020	17,338	116	17,454
Amortisation			
At 1 August 2019	8,092	-	8,092
Charge for the year	3,372	-	3,372
At 31 July 2020	11,464	-	11,464
Net book value at 31 July 2020	5,874	116	5,990
Net book value at 31 July 2019	5,327	2,842	8,169

15. TANGIBLE FIXED ASSETS

	Consolidated and University					Total £'000
	Freehold land and buildings	Long leasehold buildings	Short leasehold improvements	Equipment	Assets under construction	
	£'000	£'000	£'000	£'000	£'000	
Cost						
At 1 August 2019	375,314	1,576	547	90,309	1,271	469,017
Additions	1,733	-	-	4,248	2,838	8,819
Transfers	2,874	-	-	470	(3,344)	-
At 31 July 2020	379,921	1,576	547	95,027	765	477,836
Depreciation						
At 1 August 2019	59,441	343	199	78,017	-	138,000
Charge for the year	11,042	58	45	6,330	-	17,475
At 31 July 2020	70,483	401	244	84,347	-	155,475
Net book value at 31 July 2020	309,438	1,175	303	10,680	765	322,361
Net book value at 31 July 2019	315,873	1,233	348	12,292	1,271	331,017

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

16. TRADE AND OTHER RECEIVABLES

	As at 31 July 2020		As at 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade receivables	17,462	4,934	8,730	5,526
Amounts due from subsidiary undertakings	-	3,564	-	1,542
Prepayments and accrued income	13,373	13,096	9,903	9,934
Other receivables	197	196	287	286
	31,032	21,790	18,920	17,288

17. CURRENT INVESTMENTS

	As at 31 July 2020		As at 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term cash deposits	-	-	5,003	5,003

Deposits are held with banks licensed by the Financial Conduct Authority. The interest rates for these deposits are variable and the term is fixed for less than one year at the balance sheet date.

At 31 July 2020 the weighted average interest rate of these fixed rate deposits was nil (2019: 0.9%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was nil days (2019: 95 days). The fair value of these deposits was not materially different from the book value.

18. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 July 2020		As at 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans	3,300	3,300	3,300	3,300
Unsecured loans	106	106	106	106
Fixed rate hedging instruments	2,651	2,651	2,288	2,288
Trade payables	5,469	4,621	6,735	6,664
Amounts owed to subsidiaries	-	580	-	660
Social security and other taxes payable	3,319	3,308	3,088	3,079
Accruals and deferred income	51,375	40,755	40,262	36,984
Other payables	494	494	576	575
	66,714	55,815	56,355	53,656

Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	As at 31 July 2020		As at 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Donations	85	85	281	281
Research grants received on account	7,125	7,125	5,731	5,731
Grant income	582	582	1,191	1,191
Other income	27,008	17,544	17,549	14,556
	34,800	25,336	24,752	21,759

19. CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

	As at 31 July 2020		As at 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Fixed rate hedging instruments	19,022	19,022	18,040	18,040
Secured loans	53,725	53,725	57,025	57,025
	72,747	72,747	75,065	75,065

Analysis of secured and unsecured loans

	As at 31 July 2020		As at 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Due within one year or on demand	3,406	3,406	3,406	3,406
Due between one and two years	3,300	3,300	3,300	3,300
Due between two and five Yearsyears	9,900	9,900	9,900	9,900
Due in five years or more	40,525	40,525	43,825	43,825
Due after more than one year	53,725	53,725	57,025	57,025
Total secured and unsecured loans	57,131	57,131	60,431	60,431
Secured loans repayable by 2037	57,025	57,025	60,325	60,325
Unsecured loans	106	106	106	106
Total secured and unsecured loans	57,131	57,131	60,431	60,431

Included in loans are the following:	From	To	Interest rate	Amount £'000
Barclays Bank plc				
Fixed rate hedge	1 August 2011	1 August 2036	5.72%	30,000
Fixed rate hedge	1 August 2012	1 August 2035	4.81%	21,330
Variable rate	2 May 2020	31 July 2020	0.93%	5,695
Salix Finance				
Interest free	1 October 2015		0.00%	106
Total secured and unsecured loans				57,131

The secured Barclays loan is a single indebtedness though it is priced across three tranches as shown in the above table. This loan is secured on certain freehold property assets. It is payable in equal quarterly instalments through to the final instalment payable in August 2037.

At 31 July 2020 the aggregate fair value of the Barclays' hedge agreements was a liability of £21,673k (2019: liability of £20,328k). 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 through the Hedging Reserve with hedge accounting having been applied.

The Salix Finance Loan is unsecured. It is funding under the OfS Revolving Green Fund 4 (RGF4) programme. As such, it can be re-cycled to use on additional carbon saving capital initiatives. Northumbria University is currently recycling this funding and it does not anticipate repayment in the short term. The terms of the loan mean that it could be recalled at any time and therefore it is classified as falling due within one year. The University is not aware of any intention from OfS to recall the loan.

20. PROVISIONS

Consolidated and University	1.	2.	3.	Total pensions provisions
	Obligation to fund deficit on USS Pension	Pension enhancements on termination	Defined benefit obligations	
	£'000	£'000	£'000	£'000
At 1 August 2019	8,741	3,110	139,770	151,621
Utilised in year	(198)	(251)	-	(449)
Additions in year	(2,421)	248	115,530	113,357
At 31 July 2020	6,122	3,107	255,300	264,529

Consolidated and University	4.	5.	Total other provisions
	Leasehold dilapidation	Overseas tax uncertainties	
	£'000	£'000	£'000
At 1 August 2019	523	1,017	1,540
Utilised in year	-	(181)	(181)
Additions in year	150	879	1,029
At 31 July 2020	673	1,715	2,388

1. The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 25.

Consolidated and University

	Year Ended 31 July 2020	Year Ended 31 July 2019
Discount rate	0.74%	1.62%
Salary growth	2.50%	2.50%

2. In previous years, the University has granted enhanced pension payments to certain members of staff in both the LGPS and TPS. The difference between enhanced pension and the amount earned according to the scheme rules is charged back to the University by the schemes. The University therefore has a liability both to the TWPF and to the TPS for these payments.
3. The defined benefit relates to the University's participation in the TWPF which provides defined pension benefits to non-academic staff. The scheme is regulated under the requirements of the LGPS. Details are included in note 25.
4. This provision represents an estimate of the costs incurred to date for work that will be required to be carried out in order to restore a leasehold property to its original state on exiting the lease.
5. This amount is being provided for uncertain tax positions relating to a number of the University's activities overseas. It is expected to be utilised over the next 2 years.

21. CASH AND CASH EQUIVALENTS	As at 1 August 2019	Cash flows	As at 31 July 2020
	£'000	£'000	£'000
Consolidated			
Cash and cash equivalents	44,012	22,930	66,942
University			
Cash and cash equivalents	43,941	21,846	65,787

As outlined in note 17, the consolidated group and university also held £nil (2019: £5,003k) in short-term cash deposits at the year end.

22. CAPITAL AND OTHER COMMITMENTS	Consolidated and University	
	As at 31 July 2020	As at 31 July 2019
	£'000	£'000
Capital commitments contracted for but not provided for	1,681	3,377

23. LEASE OBLIGATIONS	Land and buildings	Plant and other machinery	As at 31 July 2020 Total	Land and buildings	Plant and other machinery	As at 31 July 2019 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Future minimum lease payments due:						
Not later than one year	3,152	430	3,582	3,037	687	3,724
Later than one year, not later than five years	12,526	107	12,633	12,143	115	12,258
Later than five years	13,559	-	13,559	16,459	-	16,459
Total lease payments due	29,237	537	29,774	31,639	802	32,441

24. RELATED PARTIES

Members of the Board of Governors and University Executive 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 financial effect of all transactions involving organisations in which a member of the Board of Governors and University Executive may have an interest has been considered.

In the normal course of business the University transacts with private and public sector organisations, a certain number of which Governors and Executives of the University are directors, officers or partners. All such transactions are undertaken on an arm's length basis in accordance with normal agreements with customers and suppliers and in line with the University's Financial Regulations.

Where Governors and Executives or members of their respective close family do not have a controlling interest in either the University or the organisations in which they are directors, employees or partners, the transaction is not deemed as a related party transaction and disclosure is not required under FRS 102.

The following have been identified as related party transactions requiring disclosure under FRS 102. It is confirmed that these are conducted at arm's length and in accordance with the University's Financial Regulations.

Related Party	Year Ended 31 July	Sales £'000	Purchases £'000	Debtor £'000	Creditor £'000
BIM Academy (Enterprises) Limited ¹	2020	6	39	-	-
	2019	-	31	-	1
Committee of University Chairs ²	2020	-	2	-	-
	2019	-	2	-	-
North East Chamber of Commerce ³	2020	1	3	1	-
	2019	1	6	-	-
North East Theatre Trust Limited ⁴	2020	-	16	-	-
	2019	-	45	-	-
Ryder Architecture Limited ⁵	2020	11	101	-	-
	2019	14	31	-	-
QAHE (NU) Limited ⁶	2020	-	8,026	5,847	-
	2019	-	4,349	-	2,459
University of Northumbria Students' Union ⁷	2020	1,231	2,799	-	-
	2019	1,200	1,702	299	748

1. BIM Academy (Enterprises) Limited is a joint venture to supply 3D modelling to the building industry. Its results are not consolidated within these accounts and therefore transactions have been disclosed here. The expenditure incurred relates to consultancy services received and income relates to tuition fees.

2. Until the end of his final term of office on 31 July 2020, Chris Sayers was the Chair of both the University and the Committee of University Chairs. As such he was in a position to exercise significant influence over both organisations. Amounts paid by the University represent the annual membership fee.

3. Lucy Winskell OBE is a member of the University Executive and the Chair of the North East Chamber of Commerce. The purchases represent subscriptions and fees payable by the University relating to membership of the Chamber. The sales represent education services provided by the University.

4. Lucy Winskell OBE is a member of the University Executive and the Chair of the North East Theatre Trust Limited. The purchases represent amounts payable by the University relating to a partnership with the theatre.

5. Ryder Architecture Limited is a related party to the University as the joint venture partner for BIM Academy (Enterprises) Limited. The sales represent education services provided by the University and the expenditure represents architectural services provided to the University.

6. QAHE (NU) Limited is a related party to the University as the joint venture partner for Northumbria London Campus Limited. The sales and purchases represent recharges of services provided to and by Northumbria London Campus Limited.

7. Two Sabbatical Officers of University of Northumbria Students' Union were members of the Board of Governors during the 2019/20 financial year. The sales represent rent charges for the use of the Students' Union building. The expenditure represents grant funding provided by the University to the Students' Union.

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

As detailed in the Remuneration Statement on page 30, the Vice-Chancellor and Chief Executive is a Non-Executive Director of the Board of the Student Loans Company (SLC). The University received £143,892k (2019: £133,100k) from the SLC and made purchases of £15k (2019: £18k) in the normal course of business.

25. PENSION SCHEMES

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

The pension charge for the year before exceptional charges was as follows:

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
TPS	13,000	13,000	8,664	8,664
USS (including deficit movements)	2,287	2,287	1,808	1,808
LGPS	13,930	13,930	10,300	10,300
UCRSS	854	854	658	658
Others	33	-	33	-
	30,104	30,071	21,463	21,430

The exceptional pension (credit) / charges for the year were as follows:

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
USS	(2,562)	(2,562)	5,759	5,759
LGPS	-	-	11,270	11,270
	(2,562)	(2,562)	17,029	17,029

Details of the exceptional pension charges are provided within note 7.

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

	Consolidated and University	
	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'000	£'000
LGPS	(106,545)	(22,730)
Enhanced Pension Payments - LGPS and TPS	(188)	(216)
	(106,733)	(22,946)

The pension adjustments as detailed in the cash flow statement are derived as follows:

	Year Ended 31 July 2020		Year Ended 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
LGPS charge	13,930	13,930	21,570	21,570
LGPS employer contributions	(7,915)	(7,915)	(8,660)	(8,660)
	6,015	6,015	12,910	12,910

The Teachers' Pension Scheme (TPS)

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

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

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

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

Valuation of the TPS

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). Whilst DfE agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year for schools, it did not provide equivalent funding to the Higher Education Sector.

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

The pension costs paid to TPS in the year amounted to £13,000k (2019: £8,664k).

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for the scheme 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 £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI +1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on the analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018 valuation
Mortality base table	<u>Pre-retirement</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
	<u>Post retirement</u> 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	2020	2019
Males		
Currently aged 65	24.4	24.6
Currently aged 45	26.3	26.6
Females		
Currently aged 65	25.9	26.1
Currently aged 45	27.7	27.9

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount rate	2.59%	2.44%
Pensionable salary growth rate	2.5%	2.5%

The pension costs paid to USS in the year amounted to £2,461k (2019: £2,063k).

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general - but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn.

This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn).

At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. As an early indication of the scale of impact though, it has been estimated that the cost of continuing to offer current benefits in this context could reach between 40.8% to 67.9% of payroll. However, this range is purely an illustration and is before any other measures are considered to reduce the deficit and is still being widely debated across the sector and by the Trustee of the Pension Scheme. For the 2019-20 financial year however, this is considered a non-adjusting event.

Local Government Pension Scheme (LGPS)

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

During the year, the University's contribution rate was 15.6% up to 31 March 2020 and then increased to 18.8% as a result of the completion of the full actuarial valuation at 31 March 2019. However, the University is no longer required to make capital contributions in respect of the past service deficiency, and therefore the overall percentage contribution has decreased. Employer contributions including capital repayments of £2,377k (2019: £3,097k) and strain on fund payments were £8,220k (2019: £8,660k). Under FRS 102, the comparable service cost was £13,930k (2019: £21,570k), including the past service cost of £nil (2019: £11,270k).

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

Valuation of the LGPS

The last full actuarial valuation was at 31 March 2019.

Expected employer contributions to the Fund for the accounting period to 31 July 2021 are estimated to be £6,700k. In addition, strain on fund contributions may be required to meet the costs of early retirements.

Principal actuarial assumptions	As at 31 July 2020	As at 31 July 2019
	%	%
Discount rate	1.4	2.2
RPI inflation	2.9	3.2
CPI inflation	2.3	2.2
Pension increases	2.3	2.2
Pension accounts revaluation rate	2.3	2.2
Salary increases	3.8	3.7

Mortality assumptions

The mortality assumptions at the accounting date are based on the recent actual mortality experience of members within the fund based on analysis carried out as part of the 2019 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below in years.

	As at 31 July 2020	As at 31 July 2019
Males		
Currently aged 65	21.8	21.9
Currently aged 45	23.5	23.6
Females		
Currently aged 65	25.0	25.1
Currently aged 45	26.8	26.9

	As at 31 July 2020	As at 31 July 2019
	%	%
Asset allocation		
Equities	53.5	64.9
Property	9.2	8.9
Government bonds	2.4	4.3
Corporate bonds	22.9	11.6
Cash	1.9	1.8
Other	10.1	8.5
Total	100.0	100.0

	As at 31 July 2020	As at 31 July 2019
	£'000	£'000
Reconciliation of funded status to balance sheet		
Fair value of fund assets	297,234	302,544
Present value of defined benefit obligation	(552,534)	(442,314)
Deficit in the scheme recorded in provisions (note 18)	(255,300)	(139,770)

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

Active members	41%
Deferred pensioners	23%
Pensioners	36%

	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'000	£'000
Amounts recognised in statement of comprehensive income and expenditure		
Operating cost		
Current service cost	13,930	10,300
Past service cost	-	11,270
	13,930	21,570
Financing cost		
Net interest cost (note 10)	2,970	2,720
Expense recognised in statement of comprehensive income	16,900	24,290
Allowance for administration expenses included in current service costs	130	170

Amounts recognised in other comprehensive (expense) / income	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'000	£'000
(Losses)/Gain on assets	(11,915)	15,420
Experience losses on liabilities	(94,630)	(38,150)
Total amount recognised in other comprehensive (expense) / income	(106,545)	(22,730)
Movement in deficit	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'000	£'000
Opening deficit	(139,770)	(101,410)
Current service cost	(13,930)	(10,300)
Past service cost	-	(11,270)
Employer contributions	7,915	8,660
Net interest cost	(2,970)	(2,720)
Actuarial (losses) / gains	(106,545)	(22,730)
	(255,300)	(139,770)
Changes to the present value of the defined benefit obligation	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'000	£'000
Opening defined benefit obligation	442,314	379,044
Current service cost	13,930	10,300
Past service cost	-	11,270
Interest expense on defined benefit obligation	9,640	10,520
Actuarial losses / (gains) on liabilities	94,630	38,150
Contributions by participants	2,480	2,510
Net benefits paid out	(10,460)	(9,480)
	552,534	442,314
Changes to the fair value of assets	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'000	£'000
Opening fair value of assets	302,544	277,634
Contributions by employer	7,915	8,660
Interest income on assets	6,670	7,800
Actuarial (losses)/ gains on assets	(11,915)	15,420
Contributions by participants	2,480	2,510
Net benefits paid out	(10,460)	(9,480)
	297,234	302,544
Actual return on assets	Year Ended 31 July 2020	Year Ended 31 July 2019
	£'000	£'000
Interest income on assets	6,670	7,800
Actuarial gain/(loss) on assets	(11,915)	15,420
	(5,245)	23,220

Risks associated with the fund in relation to accounting

Asset volatility

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

Changes in bond yield

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

Inflation risk

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

Life expectancy

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

Exiting employers

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

Sensitivity analysis

The approximate impact on the present value of the defined benefit obligation at 31 July 2020 and on the projected service cost for the year ending 31 July 2021 of changing key assumptions by 0.1% is shown below. In each case, only the assumption chosen is altered with all other assumptions assumed to remain the same.

Discount rate assumption			
Adjustment to discount rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	540,370	552,530	565,240
% change in present value of total obligation	-2.2%		2.3%
Projected service cost (£'000)	19,780	20,520	21,280
Approximate % change in projected service cost	-3.6%		3.7%
Rate of general increase in salaries			
Adjustment to salary increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	554,190	552,530	550,870
% change in present value of total obligation	0.3%		-0.3%
Projected service cost (£'000)	20,520	20,520	20,520
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase in pensions in payment and deferred pensions assumptions and rate of revaluation of pension accounts assumption

Adjustment to pension increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	563,580	552,530	542,030
% change in present value of total obligation	2.0%		-1.9%
Projected service cost (£'000)	21,280	20,520	19,780
Approximate % change in projected service cost	3.7%		-3.6%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	572,970	552,530	532,640
% change in present value of total obligation	3.7%		-3.6%
Projected service cost (£'000)	21,380	20,520	19,680
Approximate % change in projected service cost	4.2%		-4.1%

Universities and Colleges Retirement Savings Scheme (UCRSS)

The University contributes to a defined contribution scheme for certain support staff and for staff who have opted out of a defined benefit arrangement. The scheme has a non-contributory baseline employer contribution of 7% with matched funding available. A total of £854k (2019: £658k) was recognised as an expense in income and expenditure in respect of the scheme.

26. FINANCIAL INSTRUMENTS**Risk management**

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

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

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

Credit risk

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

At 31 July 2020, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet. Student, government and commercial debtors are reviewed on an on-going basis and bad debt provisions are made if recovery of credit becomes uncertain. A debtor deemed irrecoverable is written off. The concentration of risk is limited due to the student base being large and diverse. The University's investment decisions are based on strict minimum credit worthiness criteria to ensure the safety of cash and short term deposit investments. Credit worthiness of the University's banks and lenders is regularly monitored.

Liquidity risk

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

At 31 July 2020, the group is holding cash deposits, none of which have a maturity period greater than 12 months.

Foreign currency risk

Foreign currency risk refers to the risk that the unfavourable movements in foreign exchange rate may cause financial loss to the group. The group's principal foreign currency exposures generally arise from research related receipts and payments denominated in Euros and Dollars. The University has both a Euro and a Dollar 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. Northumbria University Amsterdam B.V. is based in the Netherlands and has income and expenditure primarily in Euros. Overall foreign currency exposure is immaterial, being an insignificant portion of total Income and Expenditure. At 31 July 2020, the sterling equivalent of all euro bank balances was £2,841k (2019: £3,528k). The sterling equivalent of all dollar balances at this date was £880k (2019: £833k).

Interest rate risk

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

The group's main financing arrangements relate to the secured and unsecured bank loans (see note 17) with a total amount outstanding of £57,131k (2019: £60,431k). Interest is charged at different rates, including fixed rates as a result of interest rate hedging instruments, and an unhedged element at variable rates. In an interest rate swap, the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. At 31 July 2020, balance sheet values of deposits and cash at bank and in hand are not materially exposed to changes in interest rates. The nature of the hedging instruments associated with the group's secured bank loans means that that group is not significantly exposed to further variability arising from interest rate risk, albeit fluctuations in the fair value of derivative financial instruments are relevant.

Derivative financial instruments – fair values

The fair value of the University's interest rate swaps is based on Mark to Market valuations, underpinned by reference to discounted future cash flows.

	Financial liabilities					
	As at 31 July 2020			As at 31 July 2019		
	Current	Non-current	Total	Current	Non-current	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps						
Designated as cash flow hedges	(2,651)	(19,022)	(21,673)	(2,288)	(18,040)	(20,328)

Hedge accounting

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

	As at 31 July 2020					
	Carrying amount	Expected cash flows	1 year or less	1 to 2 years	2 to 5 years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps						
Liabilities	(21,673)	(21,673)	(2,651)	(2,504)	(6,602)	(9,916)

	As at 31 July 2019					
	Carrying amount	Expected cash flows	1 year or less	1 to 2 years	2 to 5 years	5 Years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps						
Liabilities	(20,328)	(20,328)	(2,288)	(2,169)	(5,776)	(10,095)

The group uses hedge accounting in line with FRS 102 section 12 in respect of the interest rate swap on the secured bank loans, see above.

This interest rate swap is to fix interest rates on the University's secured bank loans, by tranche, as outlined in note 17. The risk being hedged is the University's exposure to variable interest rates. The fair value of the hedging instrument at the year-end is a liability of £21,673k (2019: liability of £20,328k).

The amount of the change in fair value of the hedging instrument recognised in other comprehensive income for the period is an increase of £1,345k in the liability (2019: £1,468k increase in the liability).

27. ALTERNATIVE PERFORMANCE MEASURES

A reconciliation of the Consolidated Alternative Performance Measures (APMs) used within the operating and financial review on pages 9 to 14 of these financial statements is provided below. These are the key non-GAAP measures used by the University to monitor and evaluate performance.

Adjusted EBITDA		Consolidated	
		Year Ended 31 July 2020	Year Ended 31 July 2019
	Note	£'000	£'000
Surplus before other gains (operating surplus)		5,879	(15,450)
Interest payable	10	6,033	5,875
Investment income	6	(294)	(325)
Depreciation of tangible fixed assets	15	17,475	17,508
Amortisation of intangible assets	14	3,372	2,660
Capital grants income	2	(2,551)	(1,650)
Pension adjustments	25	6,015	12,910
USS pension provision movements		(2,652)	5,605
		33,277	27,133

Adjusted net operating cashflows		Consolidated	
		Year Ended 31 July 2020	Year Ended 31 July 2019
	Note	£'000	£'000
Net operating cashflows		31,516	20,454
Capital grants receipts		2,438	1,958
		33,954	22,412

Cash and investments		Consolidated	
		Year Ended 31 July 2020	Year Ended 31 July 2019
	Note	£'000	£'000
Cash and cash equivalents	21	66,942	44,012
Current Investments	17	-	5,003
		66,942	49,015



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