



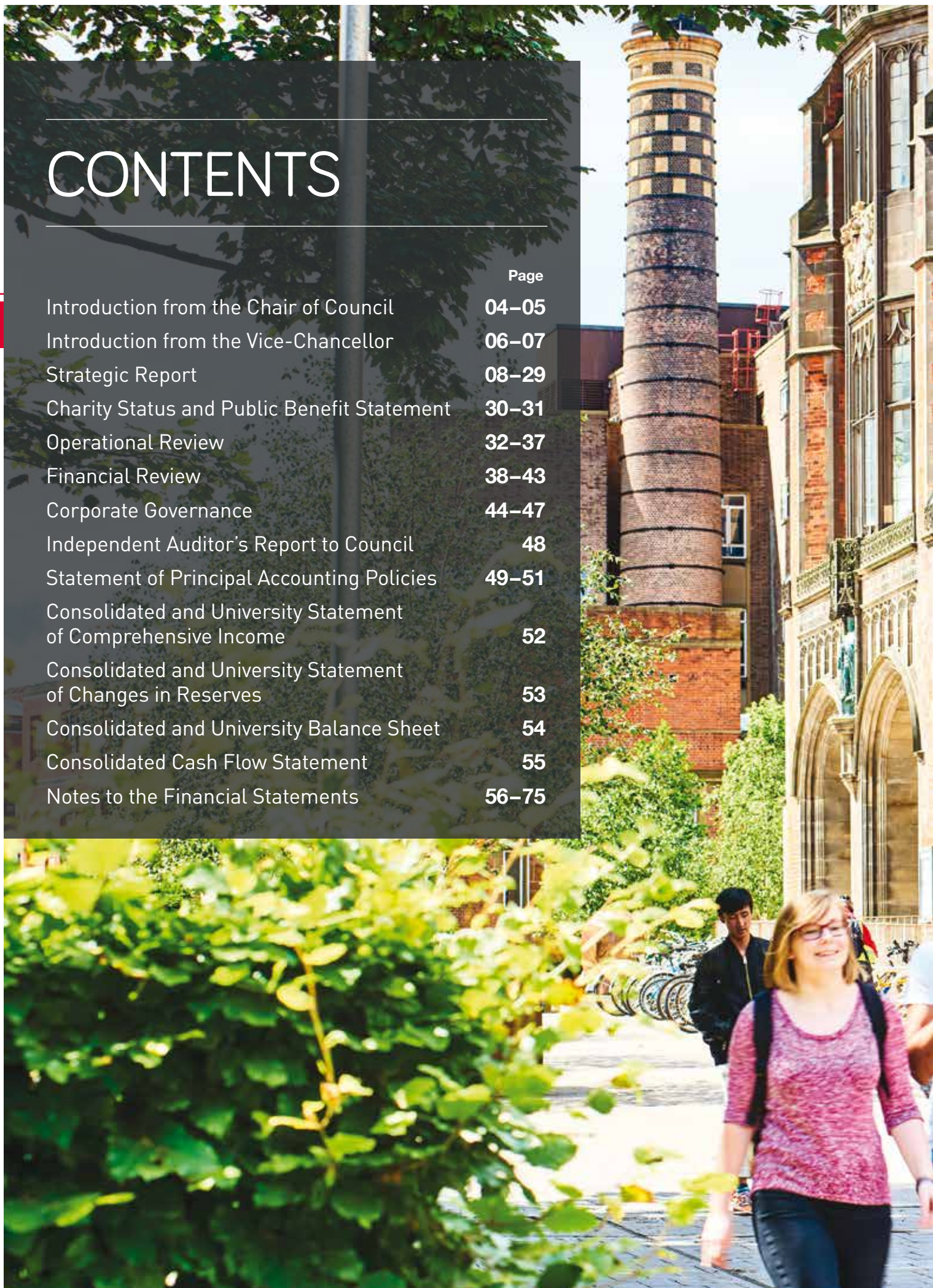
# Profile

Annual Review and Financial Statements 2015-16



# CONTENTS

	Page
Introduction from the Chair of Council	04–05
Introduction from the Vice-Chancellor	06–07
Strategic Report	08–29
Charity Status and Public Benefit Statement	30–31
Operational Review	32–37
Financial Review	38–43
Corporate Governance	44–47
Independent Auditor's Report to Council	48
Statement of Principal Accounting Policies	49–51
Consolidated and University Statement of Comprehensive Income	52
Consolidated and University Statement of Changes in Reserves	53
Consolidated and University Balance Sheet	54
Consolidated Cash Flow Statement	55
Notes to the Financial Statements	56–75





# INTRODUCTION FROM THE CHAIR OF COUNCIL

*Mark l'Anson*

Mark l'Anson

**Chair of Council and  
Pro-Chancellor**

I am pleased to introduce Newcastle University's financial statements for 2015-16. These outline our strong financial position and the excellent progress we have made against our strategic objectives. Many of the highlights are explained in the Vice-Chancellor's report and in the pages that follow.





*Newcastle University alumna, Anne Longfield OBE, Children's Commissioner for England, who received an Honorary Doctor of Civil Law degree in July 2016.*

It has been another complex and sometimes difficult year in the higher education sector. We no sooner finished the last research assessment (REF) than we started planning for the next against a background of the recently released Stern Review, which is changing both the research funding landscape and the rules of the game on assessment. At the same time we have a Higher Education and Research Bill going through Parliament, which will introduce a Teaching Excellence Framework (TEF) and all the work associated with it. The sector is becoming more and more competitive with new entrants soon to be able to gain University status and degree-awarding powers more easily. The recent EU referendum vote leaves us with a real responsibility to support our 600 EU staff and 1,200 EU students and a likely recruitment shortfall from Europe in the future. Already universities are responding to this increasingly competitive environment by offering inducements varying from 'Buy One Get One Free' Masters' degrees, to free iPads to season tickets to local football matches. In the USA marketing accounts for a major part of most universities' budgets, to the detriment of teaching and research – let us hope we are not heading too far down that road here in the UK.

And finally, fees are now being freed to rise with inflation. Although an essential requirement to ensure that our universities are financially secure, it will once again raise the issues of access to university for students from poorer or more deprived backgrounds – a subject very close to our hearts and one which we spend over £13m annually to try to address.

Despite all these challenges, Newcastle University continues to thrive. We advocated 'Excellence with a Purpose' long before 'Impact' became the trendy measure of research. We established parity of esteem between teaching and research long before the TEF was a gleam in any minister's eye. Our students continue to rate us as one of the very best in terms of student satisfaction; they rate our support services highly and recognise the knowledgeable and caring approach of our academics, as well as the social benefits of our wonderful city. They rate their own Students' Union more highly than do most students elsewhere.

All in all then, we have had another successful year. Financially we have both generated a surplus and entered a highly advantageous 30-year agreement to borrow up to £150m from the European Investment Bank at very low rates. This allows us to pursue our vision of a thriving academic institution embedded in our city, and anyone who has visited Science Central (the old Scottish & Newcastle Breweries site) will see this vision taking shape on the ground.

So, in the midst of turmoil we remain calm. Our vision and foresight have meant that we find ourselves in a strong position to weather turbulent times and much of the credit for this belongs to our Vice-Chancellor, Professor Chris Brink. This will be the last annual report published before Chris leaves us to take a well-earned retirement in his native South Africa. In his time here he has not only made major contributions on the national stage, particularly in areas of equality and diversity, but has also led this

University with a calm, measured, highly principled and strategic approach, which leaves us in fantastic shape for the future. We all owe a great debt to him for his leadership of this Institution.

He will be succeeded by Professor Chris Day, previously Pro-Vice-Chancellor of our Faculty of Medical Sciences. As a local lad, educated in Tynemouth, Chris has developed his career to become one of the world's most respected experts in his field of liver disease and for the last eight years has led our own Medical School to be recognised as one of the very best in the UK. His commitment to our core values of an academically excellent university, embedded in its community is absolute. I am confident that while he has a hard act to follow, he will be a superb Vice-Chancellor who will lead this University forward to even greater success.



*Professor Chris Day will succeed Professor Chris Brink as our next Vice-Chancellor.*

# INTRODUCTION FROM THE VICE-CHANCELLOR



Professor Chris Brink

Vice-Chancellor

06

It has been an eventful year – for Newcastle University, for the higher education sector, and for the country.

Nationally, the vote for Brexit will bring about significant changes in the UK, and specifically for higher education. Freedom of movement across European borders has been beneficial in appointing staff and recruiting students, while UK universities (and Newcastle in particular) have been very competitive in attracting EU research funding. Much of this will now need to be re-thought and possibly re-negotiated.

For higher education, the next biggest change after Brexit will be the new Higher Education and Research Bill, the overall intention of which is to increase the marketisation of the sector. A new Office for Students is to replace the Higher Education Funding Council for England, research councils are to be consolidated under one umbrella, and a national Teaching Excellence Framework (TEF) is to be instituted.

Within this swirl of national change there are a lot of positive developments to report at Newcastle University.

In terms of learning and teaching, we successfully came through our six-yearly scrutiny by the national Quality Assurance Agency, meeting expectations in all regards. We have re-launched a Physics degree, after the University had for some years not offered this fundamental discipline, and we have decided to offer a new degree in Sport and Exercise Science. We were so pleased by the fact that more and more students are using the Library that we bought a building close to the Robinson Library and it is now functioning as the Marjorie Robinson Library Rooms. In addition, Council has agreed to the construction of a new Learning and Teaching Centre on Science

Central. This will include a 750-seat auditorium (a facility the University has always lacked), more social learning spaces, and expansion space for our Business School.

In terms of research and innovation, we were successful in winning government funding for a second national innovation centre, the National Centre for Smart Data Innovation. This will join our National Innovation Centre for Ageing in a special Innovation Hub Building to be constructed on Science Central. We won both government and industry funding for a National Centre for Energy Systems Integration and this too will be located on Science Central, where the Urban Sciences Building is already under construction. We also became a Global Principal Partner of Siemens.

Regarding Science Central, the University and our partner Newcastle City Council have signed a deal with the financial services company Legal and General, whereby they become a third partner in this venture, making substantial investments according to a mutually agreed Vision Statement. This will secure the development of the entire Science Central site in years to come.

A major academic change has come about following agreement between Newcastle and Durham Universities that the entire School of Medicine, Pharmacy and Health at Durham will transfer to Newcastle in September 2017. This will further enlarge the student base of our Faculty of Medical Sciences and broaden the disciplinary reach of the Faculty.

In terms of our institutional ethos, I was particularly pleased that we won the Athena SWAN Silver Award of the Equality Challenge Unit – one of only nine UK universities to do so.

The healthy state of the University's finances will be evident from this report, but against that it must be said that we need to make substantial investments in research and teaching over the next few years. We have therefore taken advantage of historically low interest rates to negotiate a loan of up to £150m from the European Investment Bank, with repayment on the first tranche of £100m at 1.87% interest over the next 30 years.

This is my final report as Vice-Chancellor, since I will retire at the end of December 2016, ten years after my appointment. I think the University is in good shape. I would like to say thank you to everybody I have worked with in realising the vision of a world-class civic university: students and staff, my colleagues on Executive Board, Senate, Council and Court, as well as our alumni, donors, benefactors and friends. It has been a privilege and a pleasure to work with you.

My very best wishes to my successor Professor Chris Day, to Newcastle University and to you all.

*The Vice-Chancellor speaking at a donor reception in Australia House, hosted by the Australian High Commissioner and Newcastle University alumnus, His Excellency Alexander Downer.*



# STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2016

*Chris Brink*

Professor Chris Brink

Vice-Chancellor

08





The Strategic Report (pages 8–29) provides an overview of the University and our strategy. Each of our five main strategic objectives is described in detail to show the highlights of the past year, key priorities for the coming year, the key performance indicators we use to measure success and the key risks which we have to manage. An overall assessment is given for each objective: Good, Satisfactory, Medium Risk or High Risk. As the University’s Chief Executive Officer, I am responsible to Senate and Council for delivery of the University’s agreed strategy.

## University overview

Newcastle University can trace its origins to a School of Medicine and Surgery, established in Newcastle in 1834, and to the College of Physical Science, later Armstrong College, founded in the city in 1871. These two colleges formed one division of the federal University of Durham, the Durham Colleges forming the other division. The Newcastle Colleges merged to form King’s College in 1937 and, in 1963, when the federal University was dissolved, King’s College became the University of Newcastle upon Tyne, latterly trading as Newcastle University.

The University is a member of the Russell Group, comprising the UK’s leading research-intensive universities. We have strong research links with many European and other international universities. Our research spans a wide range of activity with a strategy to address major societal challenges.

Nearly 24,700 students from more than 130 different countries choose to study at Newcastle University. We offer undergraduate degrees and postgraduate taught and research degrees in over 50 subject areas. Our 20-hectare site at the heart of Newcastle city centre has some of the best teaching and learning facilities in the country. We have invested significantly in the University’s estate over the last few years to improve the quality of the environment for students, staff and visitors. We are one of the largest employers in the North East of England, with approximately 5,800 staff.

We play a leading role in the economic, social and cultural development of the North East of England and we collaborate with a range of partners and strategic initiatives, helping to extend the University’s influence and reinforce our ties with the city, region and

beyond. These include Newcastle City Council, the NHS, and the University of Durham via the Angel Alliance.

Our principal competitors are research-intensive universities in the UK and, to a lesser extent, other universities in the North East. However, it is in the nature of the higher education sector that we compete and collaborate at the same time.

## The organisation

We have three core academic functions:

- research and innovation
- learning, teaching and the student experience
- engagement

Strategic leadership of each of these is provided, on a University-wide basis, by three Pro-Vice-Chancellors (PVCs).

Delivery of the core academic functions occurs in our three faculties, each led and managed by a PVC:

- Faculty of Humanities and Social Sciences
- Faculty of Medical Sciences
- Faculty of Science, Agriculture and Engineering

Each faculty consists of a number of academic units, typically schools or research institutes, each led and managed by a head. The core academic functions and line-management structures combine to form the academic map of the University in which we envisage the faculties as vertical columns, with the core functions as cross-cutting institutional activities. Interdisciplinary and cross-disciplinary activities are co-ordinated and supported by the functional PVCs. The academic enterprise is supported by a number of corporate activities within the professional support services, led and managed by the Registrar.

## University strategy

The University’s key strategic planning document is *Vision 2021: A World-class Civic University*. The University’s mission is:

- to be a world-class research-intensive university
- to deliver teaching and facilitate learning of the highest quality
- to play a leading role in the economic, social and cultural development of the North East of England

The five key strategic objectives are to achieve and maintain the following:

- top 20 in the UK for research
- top 20 in the UK for student satisfaction
- focus on three societal challenge themes: ageing; social renewal; sustainability
- a significant international, national and regional profile and reputation
- financial and environmental sustainability

# TOP 20 IN THE UK FOR RESEARCH

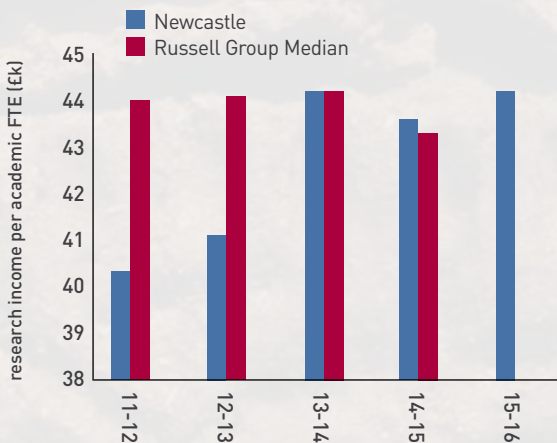
## Priorities

- Perform high-quality research that is internationally recognised
- Provide a high-quality environment for students and staff
- Develop an innovation culture embedded throughout the University
- Further develop our activities in relation to corporate engagement
- Maximise/diversify research funding including opportunities via the N8 Research Partnership and international sources
- Raise the profile of our research outputs
- Continue preparations for post-2014 REF in light of the recent Stern Review

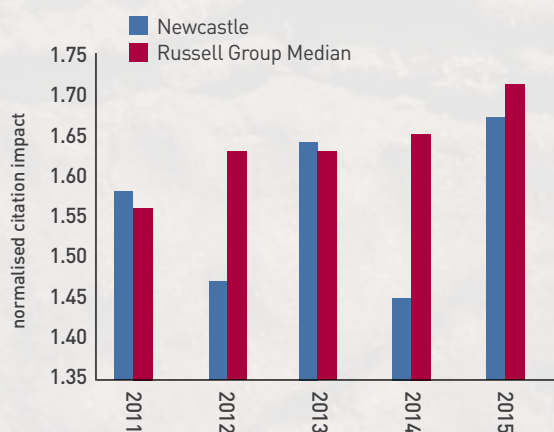
*Professor Andrew Burton has achieved critical acclaim with his unique approach to sculpture that challenges us to look at humble everyday objects in a new way. A recent project with female dung workers in India celebrated the little known practice of making Bithooras.*

## Measuring success

**Research income per academic FTE (£k):**  
Target ≥ Russell Group Median

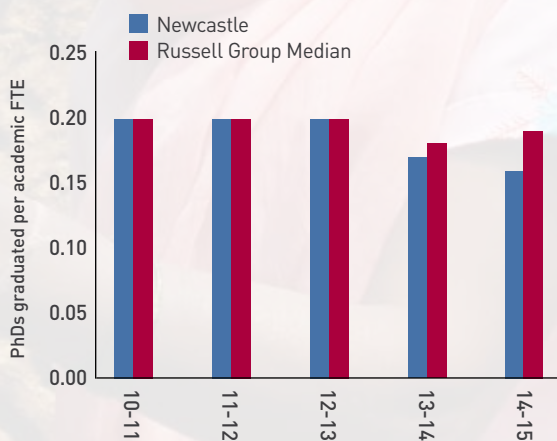


**World citation impact (using a normalised measure). Years relate to publication date**



OVERALL ASSESSMENT  
**SATISFACTORY**

**Number of PhDs graduated per academic FTE:  
Target  $\geq$  Russell Group Median**

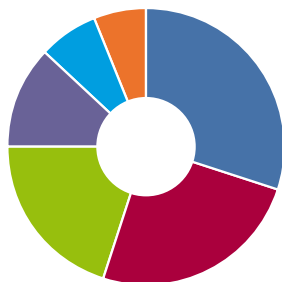


## Risks

- Failure to continue to publish high-quality research outputs
- Failure to continue to obtain new research grants and contracts
- Failure to recover sufficient margin on our research income to cover our research support costs
- Failure to secure and exploit intellectual property assets

## Progress during the past year

Research income, excluding Research and Development Expenditure Credits, increased by 3% from £106.0m in 2014–15 to £109.3m in 2015–16. Key research income streams are illustrated below.



Research Councils	30%
UK charities	25%
UK government and NHS	20%
European Union	12%
Industry and commercial	7%
Other	6%

Research Council income decreased from £33.7m in 2014–15 to £32.6m in 2015–16. UK government and health authority income increased from £21.5m to £24.9m and research income from EU government sources increased from £13.0m to £14.2m.

Following a decrease in research awards last year, the most recent data shows an increase from £96.1m in 2014–15 to £101.8m in 2015–16 although performance across the portfolio of funding sources has been mixed. Of particular note is the increase in Research Council awards from £24.2m to £35.7m and EU government awards from £8.5m to £10.7m. Decreases are evident in relation to UK charity awards from £29.2m to £26.6m and UK government and health authority awards from £22.3m to £16.2m.

A reflection of the University's excellent reputation in two particular areas of research was firstly the £20m government award for the National Innovation Centre for Ageing in order to drive commercialisation of new products and services and secondly a further £30m to develop a National Institute for Smart Data Networks bringing together industry, the public sector and academic staff to develop skills, ideas and resources to extract value for smart data and increase competitiveness.

A culture of innovation continues to develop. Over the past 18 months, three new spin-out companies were established:

- *Changing Health Ltd* (provides evidence-based decision-making tools for lifestyle and chronic disease management)
- *Newcells Biotech Ltd* (production and differentiation of induced pluripotent stem cells)
- *VEO Ltd* (Video Enhanced Observation) (services that allow tagging key moments of video to enhance professional development)

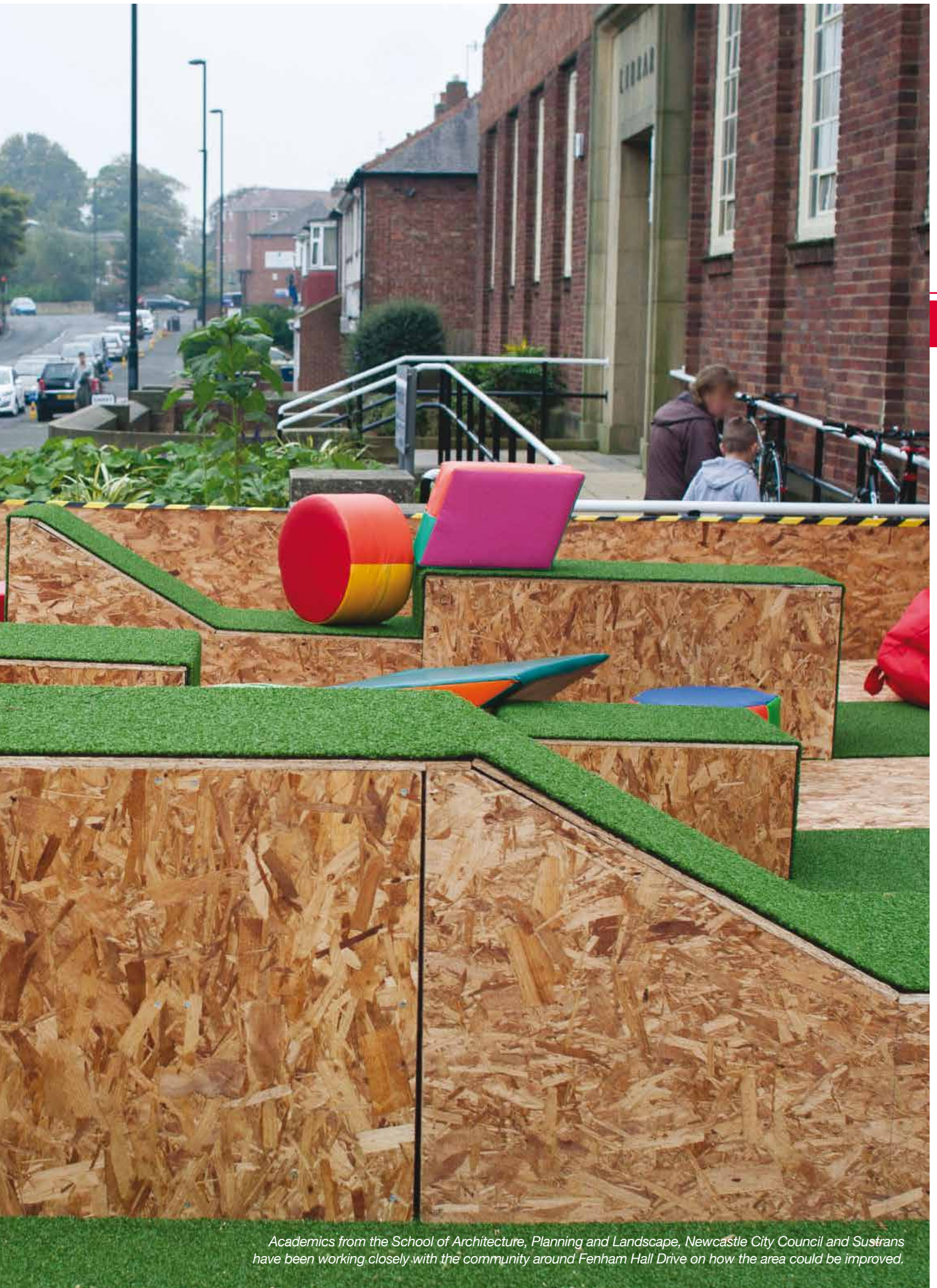
Our Founderships Programme, an innovative business start-up package for graduate entrepreneurs, continued into its second year and supported seven new businesses in 2015–16.

We have streamlined our internal approach to corporate engagement and now offer a single point of contact for services for business. We have also introduced a new consultancy policy to facilitate increased engagement with industry.

Work is taking place to further raise the profile of the University's research outputs via the web, corporate publications and social media. A specific project promoting research activity in humanities and social sciences will be taken forward during 2016–17.

Looking ahead there is an increased need to focus upon diversifying our sources of research income in light of the recent EU referendum result and the resulting uncertainty regarding access to EU research funding in the long term. In addition, the recent Stern Review of the Research Excellence Framework and forthcoming consultation in this regard will result in formal notification in Summer 2017 of the precise form and timing of the post-2014 REF exercise.





*Academics from the School of Architecture, Planning and Landscape, Newcastle City Council and Sustrans have been working closely with the community around Fenham Hall Drive on how the area could be improved.*

# TOP 20 IN THE UK FOR STUDENT SATISFACTION

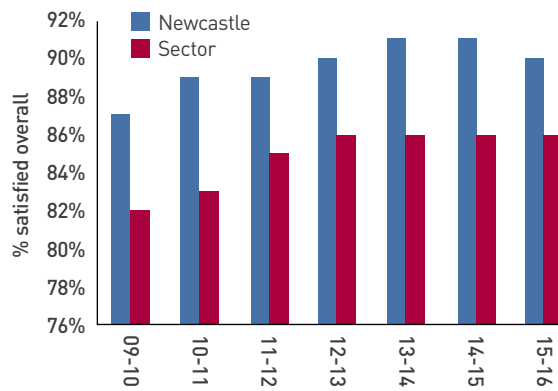
## Priorities

We aim to deliver research-informed teaching and facilitate applied learning of the highest standard and deliver a fully rounded, enjoyable and formative student experience. Key priorities are to:

- continue to recruit and retain high-quality undergraduate and postgraduate students within a competitive market context
- maximise opportunities for the successful recruitment, retention and integration of high-quality international students
- continue to seek and promote diversity in our student population
- achieve managed growth in student numbers; address associated capacity and student support implications
- review and develop support for students with disabilities or mental health concerns
- further develop and implement strategies to enhance the employability of our graduates
- ensure delivery of a comparable 'Newcastle University Student Experience' in transnational, off-campus, distance or online programmes
- further develop our physical estate and technological capability to support learning, teaching and student growth aspirations
- build on our successful Quality Assurance Agency Higher Education Review (Spring 2016) and plan for the introduction of the Teaching Excellence Framework (TEF)
- plan effectively for the implications of the UK's departure from the European Union

## Measuring success

National Student Survey - Overall satisfaction

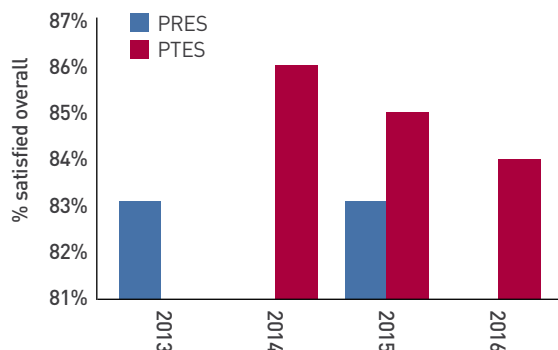


International Student Barometer - Overall satisfaction



Postgraduate Research (PRES) and Taught (PTES) Experience Surveys

NB These surveys are not carried out every year





OVERALL ASSESSMENT

**GOOD**

15

## Risks

- Failure to meet home and international recruitment targets
- Failure to deliver a high-quality student experience
- Failure to maintain teaching quality and standards
- Failure to achieve widening participation benchmarks and Access Agreement milestones

## Progress during the past year

A highlight of 2015–16 was the successful outcome of the QAA Higher Education Review, in which good practice was formally recorded in the following areas:

- the comprehensive support, development and career opportunities for staff involved in learning and teaching, which has contributed to the improvement of learning, teaching and quality assurance
- the design of key roles within academic units and the training of staff to fill these roles, which has strengthened the leadership of learning and teaching

The University maintained its strong institutional performance in the National Student Survey (NSS) of undergraduate students, with 90% of 2016 respondents satisfied with the overall quality of their course (91% in 2015, a generally improving trajectory from 81% in 2006). This result placed Newcastle University joint 12th among comparable 'full service' (ie non-specialist) universities and 2nd equal, behind Exeter (91%) in the Russell Group (with Cambridge, Leeds, Oxford and Queen's Belfast).

**Percentage of students who agree or strongly agree to satisfaction in:**

	Newcastle		Sector
	2015	2016	2016
<b>Overall satisfaction</b>	<b>91%</b>	<b>90%</b>	<b>86%</b>
The teaching on my course	89%	90%	87%
Assessment and feedback	71%	73%	73%
Academic support	86%	86%	82%
Organisation and management	86%	87%	79%
Learning resources	91%	91%	87%
Personal development	86%	83%	83%
Satisfaction with the students' union	81%	80%	69%

The area of assessment and feedback has been a particular focus and it is gratifying that we now perform in line with the sector average, although work to improve further is ongoing. At subject area level, 30 out of 48 subjects met or exceeded our 90% target for overall student satisfaction (30 out of 46 in 2015) and action plans to address areas of weaker performance are in place. Satisfaction with the Students' Union continues to be a source of pride.

In the Autumn 2015 International Student Barometer (ISB) results, 93% of Newcastle respondents were satisfied overall (90% in 2014). Newcastle University was ranked first out of 13 participating Russell Group universities in 14 individual categories, most notably in the categories of meeting academic staff (95%), physical library (96%), learning technology (95%) and virtual learning (95%) and ranked first among all participating UK institutions, International Office (98%) and IT services (97%). Also of particular note, the Students' Union (97%) and the Careers Service (93%) had the second best scores in the Russell Group. Investment in an international student integration manager role is reflected in an improvement from 62% to 75% for 'making friends from this country'.

The 2016 Postgraduate Taught Experience Survey (PTES) results indicated that 83% of respondents were satisfied overall (85% in 2015). Teaching scored an average satisfaction rate of 84% (same as 2015) and the score for resources and services was 91% (88% in 2015). Assessment and feedback remain more challenging, with 75% (74% in 2015) of respondents satisfied.

The Postgraduate Research Experience Survey (PRES) was last undertaken in 2015, and as reported last year, 83% of respondents were satisfied overall, with 88% satisfied with supervision; 84% satisfied with resources; 82% satisfied with progression; and 87% satisfied with their research skills development.

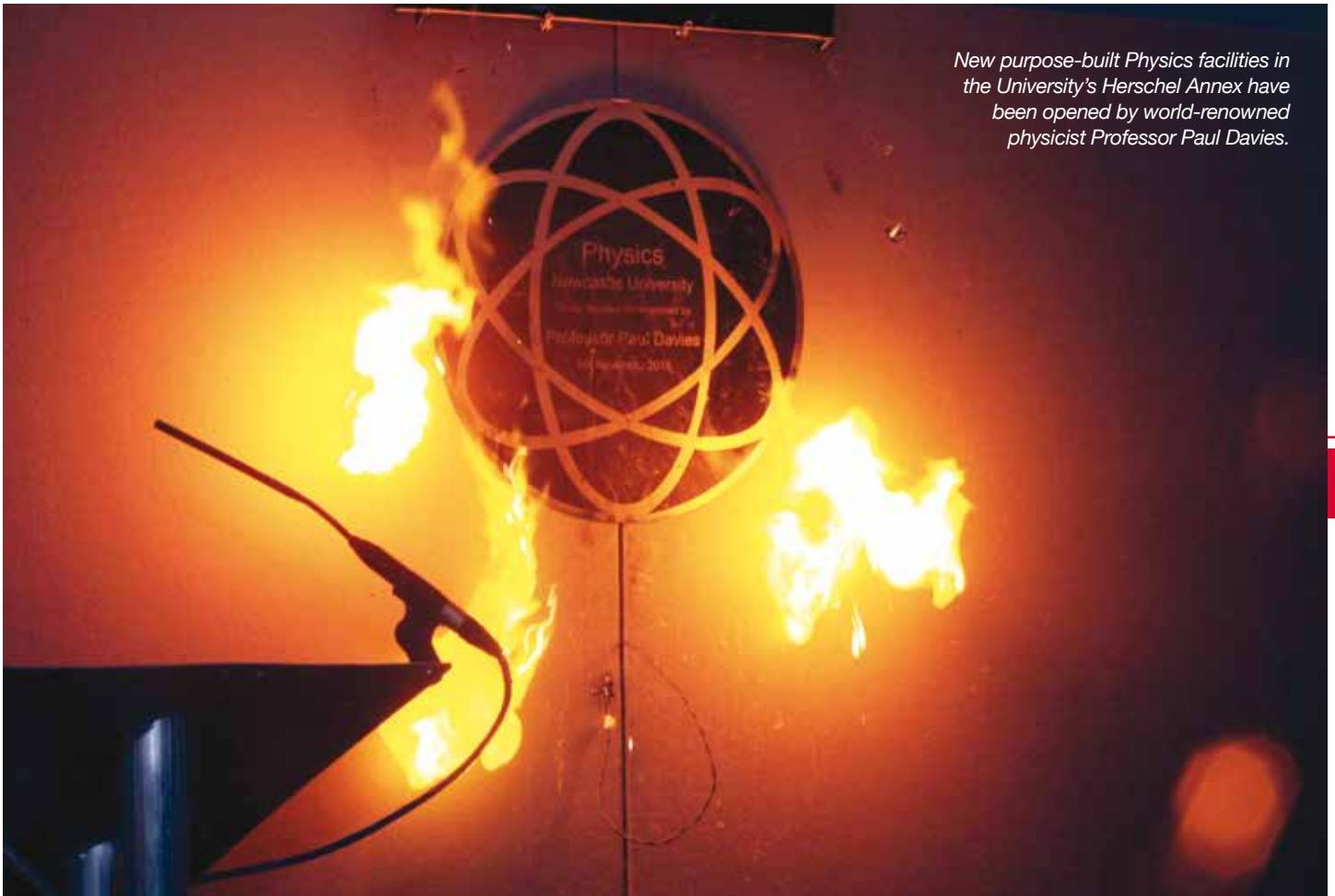
We continue to focus on the development of our students' employability skills. Our main KPI is our 'Graduate Prospects' rating which this year improved significantly from 79.1% to 82.6% and is based on the percentage of our UK, full-time undergraduate students in graduate-level outcomes (professional or managerial employment, or postgraduate study), as reported in the Destination of Leavers from Higher Education Survey. Our 2015 Employability Indicator, which reports the percentage of our graduates in any level of work or study six months after graduating, was 94.0% (94.1% in 2014) against a benchmark of 95.1%. Whilst this score is a little disappointing, ranking Newcastle 16th in the Russell Group, it is close to the Russell Group average of 94.1% (range of RG scores from 96.1% to 89.8%), reflecting an increased willingness of graduates to wait for graduate-level employment rather than taking the first available option. Developments in 2015-16 included a new Employability and Enterprise Strategy and the introduction of an optional placement year for students on all undergraduate programmes. These developments aim to position the University strongly in the forthcoming Teaching Excellence Framework metrics.

We continue to focus on delivering our student offer, defining the common principles, elements and opportunities at the core of the learning experience for all undergraduate students, and are further developing our offer to postgraduate students. We are committed to investment that enhances our students' academic experience and all other aspects of their time at Newcastle: social, cultural, sporting and residential as well as encouraging them to gain work experience.

The development of students' skills for learning, life, work and professional practice is a high priority, and we offer thousands of opportunities through our ncl+ scheme. In 2015-16, almost 7,300 separate volunteering opportunities were available to students, representing over 200,000 hours of service. Students also benefit from accredited and paid placements, an entrepreneurship module, the Newcastle Work Experience scheme and JobsOC (Jobs On Campus), which employs students in temporary and casual work on campus. This year, 265 students (including 19 based in Singapore) completed our ncl+ Award and 28 participated in the pilot Advanced ncl+ Award: these give students the opportunity to record formally their activity and achievements on their academic record.

The Students' Union Teaching Excellence Awards celebrate outstanding performance by the University's academic and support staff. Students nominate hundreds of staff across a range of categories and the shortlisted candidates and winners are presented at a prestigious awards ceremony, which is a high-profile example of the University and its students working in partnership as members of a thriving academic community.





*New purpose-built Physics facilities in the University's Herschel Annex have been opened by world-renowned physicist Professor Paul Davies.*

In response to a growing student population and changes in student learning and study preferences, we continue our investment in the refurbishment and development of learning, teaching and social learning space. Located in a recently acquired building on a prime site, the Marjorie Robinson Library Rooms (opened January 2016) provide additional study space and facilities for 550 students. Our students were active participants in the design and realisation of this project and satisfaction is very high.

Our developments at the Science Central site include an Urban Sciences Building which, from 2017, will house our rapidly growing School of Computing Science, and a Learning and Teaching Centre which, from 2019, will provide high-quality, large-scale lecture theatre and social learning facilities as well as facilitating the further growth of our Business School.

Delivery of our Student Accommodation Strategy is well under way, with demolition and replacement of Richardson Road self-catering flats about to commence, to be replaced by 1,279 *en suite* rooms in 2018.

Sport is a vital element of the student experience at Newcastle with around 9,500 students taking out Sport Centre membership in 2015–16. In performance sport, Team Newcastle was ranked 9th in the British Universities and Colleges Sport (BUCS) league in 2015–16. Plans for a significant extension of our facilities alongside ongoing refurbishment and development of existing sites are well under way.

We continue to enhance promotion of our full student offer to prospective students, using digital and social media to inform, engage and support them in their aspiration to study at Newcastle University. Our ongoing popularity in 2015–16, boosted by our excellent student satisfaction ratings, was again reflected in record Open Day attendances and applications for 2016 entry from UK/EU students, offsetting to some extent a decline in applications from international students.

Our flagship PARTNERS Programme, available to more than 900 schools nationally, enabled more than 750 students to participate in our Assessed Summer School for entry in 2016. A key element of our success in student recruitment and widening participation, our Access Agreement commitments include a major programme of activities for schools and colleges across the UK, delivered by a team of trained and highly professional Graduate Ambassadors, and promoted through our unique Teachers' Toolkit.

## New programmes

New or re-introduced programmes in 2015–16 and 2016–17 include Physics, Film Practices, a range of programmes in Biology, Environmental Science and Civil Engineering; and Business-related degrees at Newcastle University London. The recently agreed transfer of the School of Medicine, Pharmacy and Health from Durham University in 2017–18, together with new programmes including Sport and Exercise Science, will further enhance our portfolio.

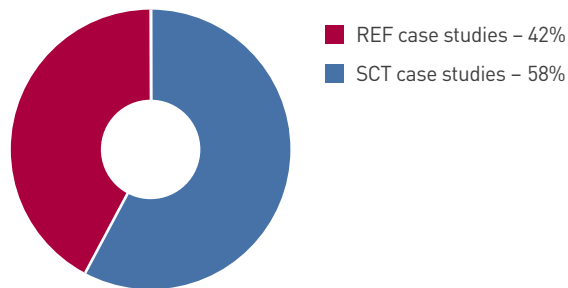
# FOCUS ON THREE SOCIETAL CHALLENGE THEMES

## Priorities

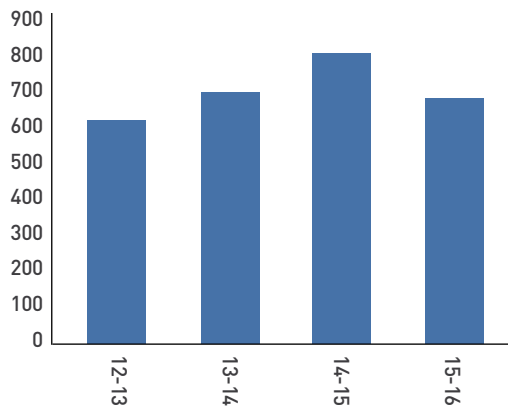
- Develop plans for the National Innovation Centre for Ageing
- Exploit opportunities to bid for European funding for research and innovation projects through our membership of the European Institute of Innovation and Technology
- Develop the Future Cities initiative working with Newcastle City Council and other partners
- Complete the Urban Sciences Building development at Science Central
- Continue research activity on Smart Cities, working with key external partners
- Continue to deliver engagement and impact in the region, nationally and internationally
- Contribute to the University's preparations for REF 2020

## Measuring success

**In the submission to the 2014 Research Excellence Framework (REF) 68 of the 117 case studies addressed the University's societal challenge themes (SCTs)**



**Number of modules offered in each year related to societal challenge themes**



## Risks

- Failure to realise the full potential of the proposed National Innovation Centre for Ageing
- Failure to develop Newcastle Science City in a manner consistent with the Strategic Overview
- Failure to generate new and high-quality impact case studies for all three societal challenge themes



*The Urban Sciences Building is a £58 million commitment by Newcastle University to lead international research into digitally enabled urban sustainability.*

OVERALL ASSESSMENT

**GOOD**



## Progress during the past year

Societal challenge themes are the embodiment of our vision of Newcastle as a world-class civic university and our commitment to excellence with a purpose. It is through the societal challenge themes that we channel much of our effort to conduct research and facilitate teaching and learning not only of the highest quality, but also with an emphasis on finding solutions to some of the most pressing problems facing society today. Significant progress has been made over the past 12 months in each individual theme area and this is described in more detail overleaf.

We have continued to build upon our annual programme of fringe events at the major political party conferences. In 2015, these took the form of panel debates on sustainable energy at the Labour and Conservative Party conferences, and we also partnered with independent think tank, ResPublica, to host two private roundtable discussions on the Northern Powerhouse and devolution, placing our academics at the centre of national policy debate.

Other strategic initiatives being underpinned by the three theme-based research institutes include the launch of a Policy Academy in October 2016, aimed at raising the University's level of expertise in, engagement with and impact upon political affairs and policy development. The institutes are also leading on the University's response to the United Nations Sustainable Development Goals.

## Ageing

The Newcastle University Institute for Ageing responds to the societal challenge of ageing by seeking new ways to make the most of extensive opportunities associated with increasing human longevity, at the same time as solving some of the problems. It is among only a handful of global leaders in the field, combining Newcastle's international excellence in the fundamental and clinical sciences of ageing with an expanding repertoire of interdisciplinary research and innovation.

National confidence in our ageing science capability led the government to award the University £20 million towards the creation of the National Innovation Centre for Ageing. The Centre will bring world-leading scientists together to work with industry, the NHS and the public to develop, test and bring to market products that promote good health and wellbeing as we grow older. Already operational during 2016, the Centre is expected to create up to 30 jobs as it develops.

Translating research into policy is a significant element of the Institute's operation. Newcastle was the first university to create a strategic partnership with the International Longevity Centre UK, to facilitate links to high-level policy on key issues in ageing.

Further recognition for Newcastle University's world-leading research on ageing also came in June 2016, with the announcement that the Queen had created a Regius Professorship in Ageing as part of her 90th birthday celebrations. This prestigious award celebrates the increasingly important role of research into how we can help people age healthily and the breadth and depth of the ageing-related research led by the Institute.

A new MOOC (massive open online course) on *Dementia care: staying connected and living well* was launched in May 2016. 9,000 learners from 69 countries took part in the first launch of this course, with plans to re-run the course in November 2016, Spring 2017 and also in 2018.

## Social renewal

The focus of the Newcastle University Institute for Social Renewal is on how people, communities and societies thrive when faced with rapid, transformational change. Many people feel uncertain, anxious or powerless about how to cope with the relentless pace of change in the 21st century. The Institute applies the University's global reputation for academic excellence to explore new ways in which a research-intensive university – its staff and students – can connect with society in order to address the challenges people face and so make a difference to their lives locally, nationally and internationally.

In April 2016, the Institute launched a comprehensive report entitled *The Devolution Revolution: empowering local communities to drive change*, which recommended a number of practical steps that need to be taken if devolution is to deliver on its promises – from putting strategic spatial planning at the heart of devolution deals, devolving education policy and building community capacity to using universities to engage local communities.

The University's commitment to addressing the challenges facing civil society is nothing new and looking ahead, in November 2017, the University will commemorate the 50th anniversary of the award of Honorary Doctor of Civil Law degree to legendary civil rights campaigner Dr Martin Luther King Jr. Newcastle was the only UK university to honour Dr King during his lifetime and our social renewal societal challenge theme is at the heart of the University's plans for a city-wide programme of events and academic projects to celebrate the anniversary of Dr King's visit. Under the banner Freedom City 2017, the aim of the celebrations is to empower a new generation to address the 'great and grave problems' of war, poverty and racism about which Dr King spoke so eloquently in his acceptance speech and which remain as relevant today as they were in 1967.

## Sustainability

The Newcastle University Institute for Sustainability aims to establish the University as a centre of expertise in the principles and practice of sustainability with a focus on research excellence and demonstration, interdisciplinarity and engaged solutions to real-world problems. In pursuit of this, the Institute has identified five current areas of established research excellence. These are earth systems engineering, energy, food, transport and water. Through them, the University is making a significant contribution to the globally important research challenges of integrated infrastructure systems, production and resources, and consumption and waste.

Such is the University's reputation for solutions-focussed research that our experts in sustainability are regularly called upon for advice. As a result, contributing to national and international policy development is an increasingly important strand of the Institute's activity.

David Graham, Professor of Ecosystems Engineering, is helping to shape US health policy around antibiotic resistance. Invited to present evidence to the US Presidential Advisory Council on Combatting Antibiotic-Resistant Bacteria in Washington DC in June 2016 and broadcast online around the world, Professor Graham stated that current policy underestimates the importance of improving water quality on a global scale as key to curtailing antibiotic resistance in health systems.

Richard Dawson, Professor of Earth System Engineering, led the infrastructure strand of a major report that sets out the most urgent risks and opportunities for the UK arising from climate change. The *UK Climate Change Risk Assessment Evidence Report* highlights how the country's infrastructure – services such as energy, transport and sanitation, which are essential for modern society – has already experienced significant problems as a result of severe weather related to climate change.



US Ambassador His Excellency Matthew Barzun attended the launch of Freedom City 2017 – a city-wide programme of events celebrating the 50th anniversary of Dr Martin Luther King's Honorary degree.

Along with innovations in energy storage, renewable energy technology and distribution, 'smart power' has an exciting role to play in the UK's energy future. At the University's new National Centre for Energy Systems Integration, a team led by Professor Phil Taylor will be working with Siemens and the UK Energy Research Centre to make the UK's energy system safer and more efficient. Our researchers will be examining the energy system as a whole – gas, electricity, renewables, heating and cooling – to come up with new ways to give customers greater control of their energy use, while allowing the industry to meet tough new low carbon targets.

Going forward, the Institute will be working to ensure that its research activity is aligned with the United Nations 2030 Agenda for Sustainable Development, which includes a set of 17 Sustainable Development Goals aimed at ending poverty, fighting inequality and injustice, and tackling climate change by 2030.

## City Futures initiative

All three societal challenge themes are integral to the ongoing development of the Newcastle City Futures project. Led by Professor Mark Tewdwr-Jones, the project aims to discover the medium to long-term trends likely to impact upon urban development and to help with collaboration between city leaders and communities. Among the wide-ranging topics being examined by the City Futures project are identifying new economic sectors, dealing with the health needs of an elderly population, managing investment in public transport (including switching to electric vehicles and more cycling), delivering education opportunities and considering threats from extreme weather events.

In 2015–16, Professor Tewdwr-Jones produced three major reports: *Newcastle City Futures 2065*, *City Futures and the Civic University* and *The Role of Universities in Cities*. He presented evidence and appeared before the House of Lords Built Environment Select Committee in July 2015 and had over 75 meetings with external organisations during the year.

The project has been the recipient of Government Office for Science/ Global Challenge Funding to establish a network of international cities that identify best practices in university-city

relations, with Newcastle leading a consortia of Groningen, Hong Kong and Sydney. It has also secured partnerships with IBM and Engie.

The *Newcastle City Futures 2065* report featured prominently in *Future of cities: foresight for cities*, published by the Government Office for Science as an example of best practice in generating public engagement and looking long term. The project won The Royal Town Planning Institute North East Award for Excellence in 2015 and brought together over 100 representatives from businesses, communities, universities and the public sector to consider the challenges facing Newcastle and Gateshead. It led directly to changing the city's governance, with the establishment of the City Futures Development Group by Newcastle City Council, made up of Gateshead Council, Newcastle and Northumbria Universities, the North East Local Enterprise Partnership and other organisations, with the aim of identifying areas of collaboration that could benefit the city.

We were able to scale up its activities after May 2016 when we became one of five Urban Living Partnership pilots funded by RCUK and Innovate UK. Led by Newcastle University and partnered by Northumbria University, the project now comprises 22 partners covering public, private and third sectors in the city.

# A SIGNIFICANT INTERNATIONAL, NATIONAL AND REGIONAL PROFILE AND REPUTATION

OVERALL ASSESSMENT  
**MEDIUM RISK**



## Priorities

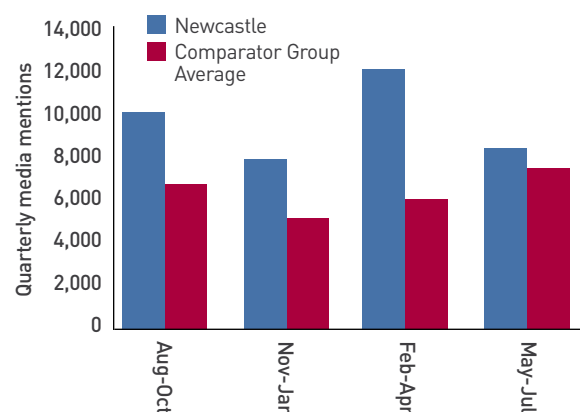
- Develop the public understanding of Newcastle as a world-class civic university
- Position Newcastle as a recognised leader in the social, cultural and economic development of the North East of England
- Attain national and international recognition for the University as a leading institution in respect of its three societal challenge themes
- Develop the public profile of Newcastle as a City of Science
- Develop and maintain good relations with stakeholders, alumni and the wider public

## Measuring success

Main UK League Tables	2014	2015	2016
Good University Guide	22	23	22
Complete University Guide	20	26	25
Guardian University Guide	28	29	37

World University Ranking Tables	2014	2015	2016
Leiden Ranking	121	104	114
QS World University Rankings	127	162	168
Times Higher Education	202	196	190

### Media mentions 2015-16





## Risks

- Failure to develop a significant international profile
- Failure to maintain the academic and financial viability of our overseas campuses in Malaysia and Singapore
- Failure to maintain effective relationships with key external stakeholders
- Failure to establish effective engagement with our alumni

## Progress in the year

We have made good progress against this strategic objective during the year. However, the overall assessment remains 'Medium Risk' due to the continued disparities between league tables based solely on metrics (such as the Leiden Ranking) and those weighted by reputation (such as the *Times Higher Education* ranking) and the challenges of recruiting international students in the light of increased competition (both within the UK and across the English-speaking world), the EU referendum result and continued uncertainties over the UK government's

attitude to international students. We have established a Reputation and Rankings Working Group to guide our future work and to ensure the academic community is engaged fully in our reputation-raising efforts.

We continued to make the most of our strongest REF case studies to raise awareness of our research among the academic community and to support student recruitment and fundraising. Our fourth impact campaign included a *Research Impact* publication, a social media campaign targeting academics and a series of animations of our research that added creativity to our website and other digital platforms. We also created videos and a high-profile wall display at Newcastle International Airport to showcase the international reach of our research.

The year has seen a concerted focus on using our international campuses (including London) to raise awareness of our research strengths among academia, business and the media.

At our Singapore campus we staged a series of televised debates on Channel News Asia – the area's equivalent to *Question Time* but with an audience of over 10 million – which allowed us to field our academics on a panel alongside eminent local figures from politics, the media and industry. The debates gave significant exposure to our academics and their research areas, and helped establish links with key local players such as Siemens who hosted two of the events.

We have also entered into a partnership with 'The Conversation', which is a research news website with significant readership. It specialises in curating original and topical content from academics around the world and its stories are regularly picked up by other media across the globe. The partnership has meant we are increasingly approached for expert opinion and thought-leadership. Notable examples include Professor Ian McKeith's article following the death of actor Robin Williams from Lewy Bodies Dementia, which was read by over 350,000 people.

Other major press stories in the year included Public Health England using our research to inform the national smoking ban in cars, the impact of the Bedroom Tax and Professor Roy Taylor's research into Type 2 diabetes. Our proactive media relations have helped us to achieve a 12% increase in media mentions on last year, with our comparator universities achieving only a 3.5% increase.

A series of high-profile events such as the opening of Newcastle University London by HRH Princess Eugenie of York – an alumna of the University; the launch of Physics; and the unveiling of our plans for the Dr Martin Luther King Jr 50th anniversary celebrations have all helped in raising our profile.

The societal challenge themes are the embodiment of the University's civic mission so it is important that we maintain their profile and promote the impact of their research. Increasingly the societal challenge institutes are looking at building more international connections through their research so that they are making a difference beyond Newcastle, to society at large. This emphasis is reflected in our communications support for the Institutes. For example, our PR agency in India has helped secure significant media coverage for the Institute for Sustainability. Key figures from all three themes also took part in the Channel News Asia televised debates in Singapore.

Our civic brand resonates particularly well with government and politicians – they want to see what universities are good for. This is why we have supported the societal challenge themes to have greater visibility with policy-makers through attendance at the Labour and Conservative Party Conferences and the publication of two policy briefing reports on *Energy* and the *Ageing Workplace*. In Spring 2016 we launched at our London campus a policy briefing paper on devolution involving academics from the Institute for Social Renewal.



*Official opening of Newcastle University London; HRH Princess Eugenie of York and Vice-Chancellor Professor Chris Brink, October 2015.*



*Research at Newcastle University shaped the World Health Organization's guideline to dramatically reduce the amount of sugars we consume.*





*The Medical School.*

# FINANCIAL AND ENVIRONMENTAL SUSTAINABILITY

OVERALL ASSESSMENT  
**GOOD**

## Priorities

- Create capacity for strategic development by achieving an average earnings before interest, tax, depreciation and amortisation (EBITDA) margin of at least 6% of income, with a 4% minimum in any financial year
- Maintain a robust balance sheet with sufficient cash reserves to meet our financial obligations
- Deliver value for money in all our activities
- Use the University's cash reserves and, if necessary, borrowing capacity, to invest in the academic and student experience to enhance research quality and reputation, teaching quality and student satisfaction
- Improve our market share of income within the Russell Group
- Provide enterprise resource planning services that are top quartile in higher education and which meet our legal and ethical obligations
- Conduct the transition to ISO14001: 2015 environmental management standard, to be ready for external audit in June 2017
- Continue to invest in energy-saving measures, including those funded through SALIX as well as investigating projects with a longer term payback



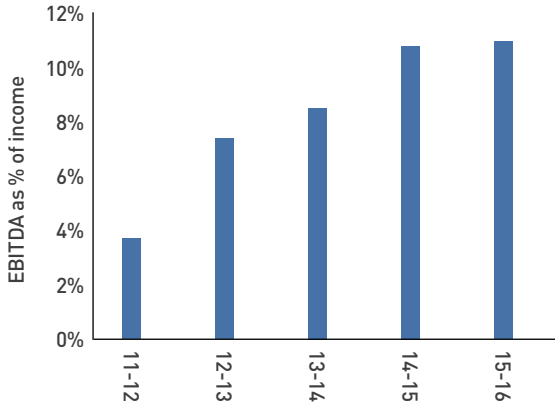
*Devonshire Building.*

## Measuring success

Earnings before interest, taxes, depreciation and amortisation, as a percentage of income

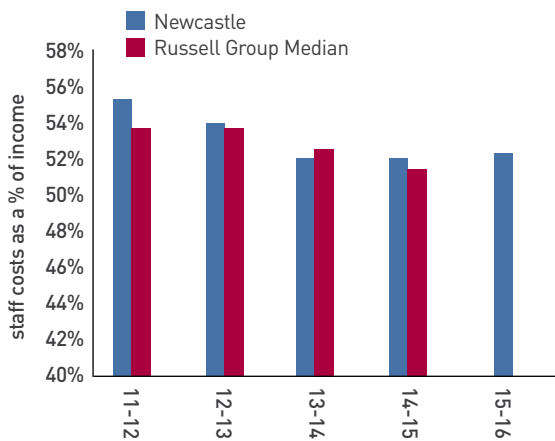
Target – > 6%

NB Results prior to 2014–15 based on previous accounting standards



Staff costs as a percentage of income:

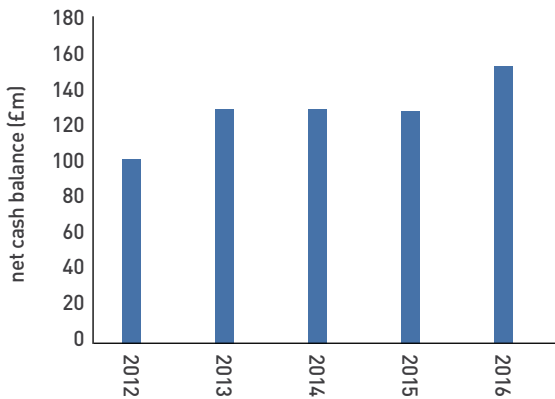
Target – ≤ 55% of income



Newcastle scientists and medics have developed a new type of genetic blood test that diagnoses scarring in the liver – even before someone may feel ill.

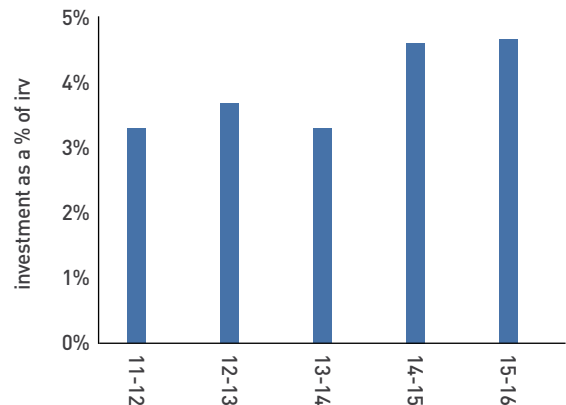
Net cash balances (£m):

Target – ≥ £50m



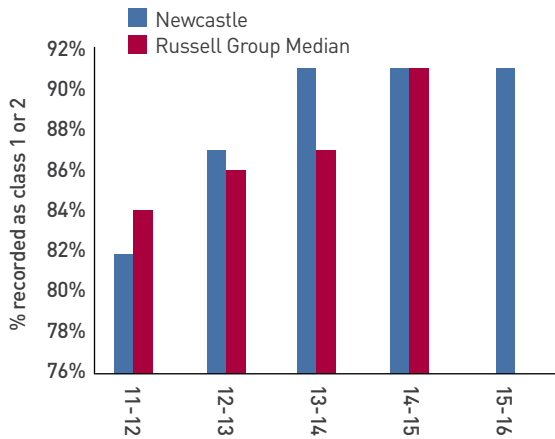
Infrastructure investment:

Target – > 3% of insurance replacement value (irv)

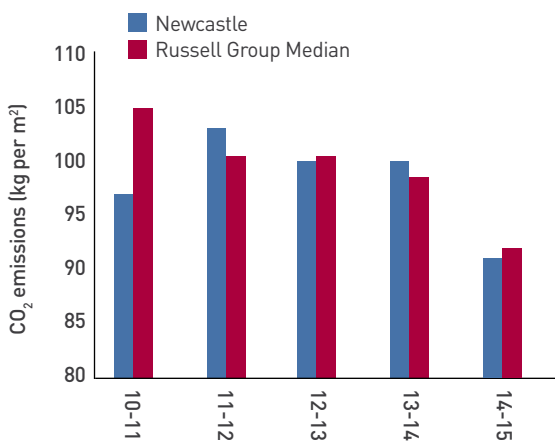




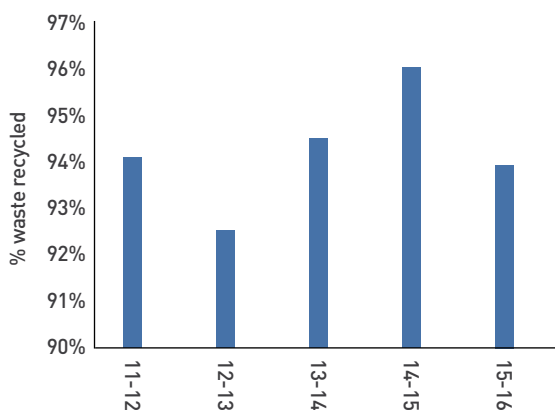
**Functional suitability of the estate – recorded as class 1 or 2 in Estates Management Statistics**



**CO<sub>2</sub> emissions: Target – 52kg (scope 1 and 2) CO<sub>2</sub> per m<sup>2</sup> gross internal area by 2020**



**Percentage of general waste recycled: Target – ≥ 92% general waste recycled in any one year, with a minimum of 90%**



**Risks**

- Failure to maintain financial viability and in particular a financially robust pensions provision
- Failure to respond effectively to the decision to leave the European Union which could impact student recruitment, research income and staff retention
- Failure to meet home and international student recruitment targets
- Failure to recruit, develop, retain and reward staff of an appropriate calibre
- Failure to manage the University in keeping with the ethos of environmental sustainability
- Failure to maintain the estate as functionally suitable and have an appropriate information strategy and control of data
- Failure to ensure proper conduct of business and be able to respond to severe business disruption events

**Going concern**

Council confirms that it has reasonable expectation that the University has adequate resources to continue in operation for at least the next five years. For this reason, it continues to adopt the going concern basis for preparing the financial statements. In reaching this conclusion, it has reviewed the sustainability of the University and is satisfied that the strategies, plans and processes in place will help the University move towards the achievement of its strategy. In particular, it is satisfied that academic strategies take account of the environment in which the University is operating as an institution and are financially sustainable.

The following are the key elements that give Council assurance in this area:

- it regularly reviews the University's performance using a number of key performance indicators in areas that are relevant to institutional sustainability
- it has agreed a long-term target EBITDA margin of 6% of income (with a minimum of 4% in any one year) to reflect the need to generate cash to manage the University now and in the future
- it regularly reviews the University's strategic risk register and is assisted in this process by Audit Committee

## Progress during the past year

Financial sustainability is discussed in more detail in the Financial Review (pages 38 to 43) but, in summary, 2015–16 was another very good year. The University's key measure for assessing financial sustainability is earnings before interest, tax, depreciation and amortisation (EBITDA). We have chosen to focus on this as the best measure of the University's ability to generate cash inflows and because it is less prone than total surplus to movements in equity values and changes in discount rates.

Adjusted EBITDA, excluding the impact on pension adjustments and Research and Development Expenditure Credits, was £51.4m (10.8% of income) compared to £50.2m (11.0% of income) in 2014–15. Adjusted total income grew by 4% from £458.3m to £475.3m with significant increases in fee income, as a result of the new funding arrangements. Adjusted total expenditure increased by 4% from £428.6m to £445.5m, reflecting the investment in staff and facilities to successfully deliver the increased volumes of students and research activity.

At 31 July 2016 the University held gross cash and short-term deposits totalling some £278.5m (2015: £163.6m), the equivalent of seven months' (2015: five) recurrent total expenditure. These balances will decline in future years as the University fulfils its capital programme. Loan balances increased from £13.8m to £100.0m, due to early repayment of existing loans and replacement by a 30-year loan from the European Investment Bank to fund future capital expenditure.

Our Environmental Sustainability Policy commits us to reducing our environmental impacts and demonstrating continual improvement in our activities by implementing internationally recognised Environmental Management Systems standards. We apply an integrated operational and academic approach to estate and environmental management. This integrated approach has been recognised by the Environmental Association for Universities and Colleges in shortlisting Newcastle for its Green Gown Award for Continual Improvement.

Our Carbon Management Plan, adopted in 2011, committed us to reduce our Scope 1 and 2 carbon emissions (direct and indirect emissions from gas, electricity, steam and owned vehicles) by 43% (assuming the government would be successful in decarbonising the electricity grid) compared to a 2005–16 baseline by 2019–20. A review, conducted in 2015, concluded that maintaining emissions at baseline levels was a more realistic target given the University's growth, increasing energy intensity, driven by research, within the existing estate, and inadequate government action to decarbonise the grid. We are currently achieving a reduction in emissions in line with the new target, and retain the 43% target as an aspirational target reliant on successful decarbonisation of the grid.

We have invested significantly in energy saving and our rolling programme of measures, including LED lighting replacements, is saving over 2,500 tonnes CO<sub>2</sub> emissions per annum. We have recently draught-proofed seven buildings, a measure projected to save 235 tonnes CO<sub>2</sub> per annum and improve comfort for staff and students. A new photovoltaic array was installed in 2015–16 at the Tyne Subsea facility, and similar arrays will feature on the Building Science extension and Urban Sciences Building. To engage staff and students with energy consumption, we are rolling out online energy dashboards to allow comparison of consumption over time, both in the UK and Malaysia.

Working in an operational academic partnership with our water management research team, we have modelled, risk assessed and invested in flood risk management. An advanced surface water flooding model was applied to the estate to improve understanding of flow paths and measures, including the installation of flood barriers, flood alarms on critical infrastructure (eg MRI scanners), and landscape alterations have been undertaken. Our risk management approach to climate change adaptation is also applied within capital projects – instrumented Sustainable Urban Drainage Systems will be installed at Science Central as part of the Urban Sciences Building project. Our sustainable drainage work has informed the masterplan for the Science Central and the first swale (a broad vegetated channel designed to slow surface water runoff and provide amenity space) is under construction.

We continue to reduce water consumption by utilising water-saving technologies. Student and staff consumption has reduced by over a third since the 2005–06 baseline from 21.5m<sup>3</sup> to 14m<sup>3</sup> per person. We have commenced installation of 'smart' water meters across campus buildings to identify and address areas with excessive consumption. This data will be made accessible to staff via the online dashboards.

Through the combined efforts of staff, students and the activity of our waste contractor, we continue to achieve a recycling rate of over 90% for general waste. We aim to increase source-separated recycling on campus through engagement activities with staff and students, including site visits, competitions etc. Waste minimisation remains challenging due to growth in the estate; an action plan for increasing re-use, reducing waste and reducing costs is being developed. In October 2015 we commenced a joint contract for clinical waste services with the NHS Northern Clinical Waste consortium. Through sharing best practice and support from the successful contractor, we aim to implement segregation of clinical wastes in accordance with appropriate guidance to reduce the volume of waste being sent to incineration.

We are committed to improving biodiversity at the University, and invested over £100k in 'Greening the Campus' to increase the amount and variety of planting on University grounds. Approximately 5,000 plants have been planted including 70 trees. Staff and student feedback on the new planting has been hugely positive.

Our Procurement Strategy commits us to embedding sustainable procurement within the University's purchasing procedures, practices and policies, and the University uses the Sustainable Procurement Flexible Framework to monitor progress over time. Working in partnership with a consultant, we have developed procedures to embed sustainability into the procurement process, and since June 2016 we are considered to be operating at Level 4 of the Flexible Framework. Our Sustainable Food Policy commits us to high standards in relation to animal welfare, sustainable sourcing of fish products and free range eggs. We are a registered Fairtrade University and 10 of the 13 catering outlets on campus have achieved the Food for Life Bronze Catering Mark.

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Integrating education for sustainable development within the curriculum is one of the key commitments of our Environmental Sustainability policy. Regular curriculum audits are undertaken by Masters' students to establish the extent to which sustainability teaching is featured within modules and degree programmes across the faculties. An online sustainability resources guide hosts the results of these audits and provides a source of information on sustainability for both academic staff seeking to introduce more sustainability content, and for students aiming to broaden their knowledge of sustainability issues.

Since 2008, nine students have carried out their Masters' dissertation projects with the Sustainability Team allowing them the opportunity to apply learning to real life scenarios on the campus and providing valuable work experience that has created a pathway to rewarding careers within their chosen sustainability field.



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# CHARITY STATUS AND PUBLIC BENEFIT STATEMENT

30

## FOR THE YEAR ENDED 31 JULY 2016

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Newcastle University is an exempt charity under the terms of the Charities Act 2011. This section (pages 30–31) provides more detail on the University's charitable activities. As the University's Accountable Officer, I am responsible to HEFCE, as our designated regulator, for compliance with relevant charity law.

In developing and overseeing the University's strategy and activities, Council has had due regard to the Charity Commission's guidance on public benefit. It is also aware that, because the University is charging high fees, it must make provision for those from lower income backgrounds to have the opportunity to benefit from the services provided. The principal beneficiaries of the University's services are our students and the public at large.

The Higher Education Funding Council for England (HEFCE) is the principal regulator for most English higher education institutions under the Charities Act 2011 and is the regulator for this University.

Our statutes define the object of the University as 'for the public benefit, to advance education, learning and research'.

Public benefit is embedded in our strategic aims and objectives set out in *Vision 2021: A World-class Civic University*. The University takes seriously its commitment to ensure that it satisfies the Charity Commission's public benefit test that there be identifiable benefits and the opportunity to benefit must not be unreasonably restricted. We have a range of schemes to encourage participation in our academic programmes by students from under-represented socioeconomic groups and those from low income households.

In 2015–16, 1,389 first-year UK and EU undergraduates with low income or widening participation backgrounds, with household income at or below £25,000 per annum or from a designated under-represented group, were awarded scholarships by the University. This constituted 29.4% of our 4,725 2015 full-time home (UK and EU) undergraduate entrants and was broadly similar to 2014–15. Eligible students were awarded Opportunity, Access or Promise Scholarships, the first of which were part-funded for those from England by the government through the National Scholarships Scheme.

*Chris Brink*  
Professor Chris Brink

Vice-Chancellor



The University contributed £0.7m to match an identical sum from HEFCE so supporting 150 mostly full-time taught postgraduates from widening participation backgrounds with £10,000 scholarships costing £1.4m ahead of new 2016–17 statutory funding available from the Student Loans Company.

We alert all prospective and current students to the financial support opportunities, through our website, brochures, talks, workshops, mail shots, student newspaper, e-mail, social media, and plasma screen reminders throughout the year. In 2015–16 the University provided £2.8m in means-tested scholarships to support new undergraduate entrants who might otherwise have been unable to afford the costs of going to university. We also paid a further £4.5m to support 3,306 undergraduates continuing their studies. The 2015–16 UK and EU undergraduate financial support of £7.3m for a total of 4,695 students represents a marginal decrease of £0.2m compared to 2014–15. We have committed more than £35m through our Access Agreement to student financial support over the next five years.

During 2014–15 we awarded more than 8,400 undergraduate and postgraduate degrees.

We are the largest research university in the North East. During the calendar year 2015 our academic staff published 5,161 research articles, books, book chapters and conference proceedings, a significant increase from 4,047 in 2014. Our total research income in 2015–16 was £109.3m.

The Charities (Protection and Social Investment) Act (2016) requires charities to state the approach taken in fundraising. The University seeks, stewards and accepts benefactions in support of its charitable objective. It does so under the leadership of the Director of Advancement and it does not use external professional fundraisers or commercial agents to undertake these activities. In its fundraising activities it follows the Principles of Practice for Fundraising Professionals at Educational Institutions approved by the Council for Advancement and Support of Education's Board of Trustees in July 2014. This sets out ethical principles of personal integrity, confidentiality and public trust. The University did not fail to comply these standards

and received no complaints about its fundraising in 2015–16. Our approach protects vulnerable people and other members of the public from inappropriate fundraising behaviour as specified in the Act.

To support the charitable work of the University, we received £1.1m of new endowments and £4.7m of other charitable donations during 2015–16. We receive funding from a wide range of benefactors including many of our alumni and we are grateful for their support.

The University expects that useful knowledge acquired through research will be disseminated to the public and others able to benefit from such research. The University normally expects that any private (non-charitable) benefit will be legitimately incidental to the achievement of the University's charitable aims for public benefit. The terms and conditions of all externally funded research activity are assessed prior to acceptance in terms of the public benefit test for charitable purpose.

More information on the work of the University and the way it fulfils its charitable purpose is included in this review and on our website [www.ncl.ac.uk](http://www.ncl.ac.uk).

# OPERATIONAL REVIEW

FOR THE YEAR ENDED 31 JULY 2016

*John Hogan*  
Dr John Hogan

Registrar

32

The Operational Review (pages 32–37) provides a report on the operational activity of the University during the past year. There are separate sections on: student numbers; staff; health, safety and wellbeing; information technology; and our estate. As the University's Chief Operating Officer, I am responsible to the Vice-Chancellor for the leadership and management of its professional support services.

## Staff

This year we have continued our focus on investment in high-quality talent. Overall, full-time equivalent staff increased by 3.7% from 5,213 at 31 July 2015 to 5,408 at 31 July 2016. These numbers include 136 full-time equivalent staff employed by our overseas subsidiaries (2015: 115).

Approximately 10% of our staff are citizens of EEA countries and we have sought to provide reassurance and guidance to staff following the UK's Brexit vote. We will be monitoring the situation closely and planning ways to mitigate the impact on our recruitment and retention of top international talent.

A major development for the University and specifically the Medical Faculty, is the transfer to Newcastle of the School of Medicine, Pharmacy and Health from Durham University. This will involve the transfer of approximately 160 staff to the Newcastle city campus. The transfer of their employment will be managed under the TUPE regulations and is expected to be completed by October 2017 alongside phased relocation to coincide with the completion of existing taught programmes.

Staff costs, excluding pension adjustments, in 2015–16 were £249.5m, compared to £238.5m in 2014–15. The major impacts on pay growth over the year were the national 1% pay award for non-clinical staff effective from 1 August 2015, incremental progression, contribution-related payments and bonuses.

In August 2015 we implemented a local pay deal for over 400 of our lowest paid staff, increasing pay beyond the nationally agreed scale. Over the coming year we will work with the recognised campus trade unions to agree the University strategy for compliance with the expected rapid growth in a National Living Wage that does not take into consideration the wider excellent terms and conditions offered by the University including annual leave and sick pay provisions.

Academic and professional staff have been successfully supported through the transition to the new Universities Superannuation Scheme (USS). This has included the removal of a link to final salary and the introduction of a new defined contribution section.

In line with our Equality Strategy Action Plan, we conducted a full Equal Pay Review during 2015, with follow-up actions planned for 2016–17. In April 2016 the University was awarded the Athena SWAN Silver Institution award, one of only nine institutions to hold this level. Five academic units now hold Silver level whilst a further 12 units have achieved the Bronze level. The University became a Stonewall Global Diversity Champion member in July 2016, demonstrating our commitment to LGBT inclusion in the workplace.

Exceptionally, as part of the Queen's 90th birthday celebrations we received a royal honour in the form of a Regius Professorship, a first for the University and one of only 12 awarded nationally. This is a prestigious title, bestowed in perpetuity by the Queen in recognition of exceptionally high-quality research at an institution. Newcastle University has been singled out for its world-leading work into ageing.

Professor Sir Doug Turnbull, Professor of Neurology, was awarded a knighthood in the Queen's Birthday Honours. Steve Humble, Teaching Fellow in the School of Education, Communication and Language Sciences, received an MBE for services to education.

Professor Peter Stone OBE, Head of the School of Arts and Cultures, has been appointed as the University's first UNESCO Chair. Professor John Goddard, Senior Research Investigator, in the School of Geography, Politics and Sociology, was elected to membership of the Academia Europaea.

The Vice-Chancellor's first Distinguished Academic Contribution Award was made to Mr Simon Pallet, Dean of Undergraduate Studies in the Faculty of Humanities and Social Sciences. This year's recipients of the Vice-Chancellor's Academic Distinction Award were Professor Dame Vicki Bruce, Professor Martin Embley, Professor Jeff Errington, Professor Barrie Mecrow and Professor Jennifer Richards.





*Professor Muzlifah Haniffa, who is a Wellcome Trust Senior Research Fellow in Clinical Science at Newcastle University, has been awarded a Lister Institute Research Prize Fellowship for her outstanding work.*



Newcastle University Women's basketball team.



Marjorie Robinson Library Rooms.

## Students

Total registered students as at 1 December 2015 were 24,696, a 3.5% increase compared with 1 December 2014.

Total students at 1 December	Full time	Part time	2015 Total	2014 Total	Change %
<b>Undergraduate</b>					
Home and EU	14,867	47	14,914	14,090	6%
Overseas	2,303	13	2,316	2,311	-
<b>Total</b>	<b>17,170</b>	<b>60</b>	<b>17,230</b>	<b>16,401</b>	<b>5%</b>
<b>Postgraduate</b>					
Home and EU	2,147	1,323	3,470	3,333	4%
Overseas	2,554	137	2,691	2,939	-8%
<b>Total</b>	<b>4,701</b>	<b>1,460</b>	<b>6,161</b>	<b>6,272</b>	<b>-2%</b>
Taught overseas	1,276	29	1,305	1,191	10%
<b>Total</b>	<b>23,147</b>	<b>1,549</b>	<b>24,696</b>	<b>23,864</b>	<b>3.5%</b>

Since 2005, Home and EU students have increased by 23% from 14,904 to 18,384, and international students have more than doubled from 2,377 to 6,312 (+166%), although international postgraduate taught numbers declined in 2015-16. Total student numbers have increased by 43%.

Delivery in other campus locations outside Newcastle includes:

- Malaysia: Undergraduate Medicine (MB BS), a BSc in Biomedical Sciences and some Masters' provision (557 undergraduate and three postgraduate students in 2015-16)
- Singapore: Programmes (in collaboration with the Singapore Institute of Technology) in marine engineering, naval architecture, offshore engineering, mechanical design and manufacturing engineering, electrical power engineering, chemical engineering, and food and human nutrition (745 students, including 48 postgraduate, in 2015-16)
- London: With a first intake in 2015-16, and offering both postgraduate and undergraduate programmes in business-related subjects from 2016-17, as well as pathway programmes in collaboration with INTO, our London campus is expected to grow to 1,200 students

Undergraduate degrees awarded (Summer 2016) were:

Award	2015-16		2014-15	
	Number	% of total	Number	% of total
First class	921	19%	884	20%
Second class, first division	2,624	54%	2,334	53%
Second class, second division	715	15%	654	15%
Third class	63	1%	54	1%
Other	554	11%	487	11%
<b>Total</b>	<b>4,877</b>	<b>100%</b>	<b>4,413</b>	<b>100%</b>

Note: most of those in the 'Other' category are graduates in medicine and dentistry for whom there is no degree classification. Data as recorded on 18 August 2015 and 15 August 2016.

## Health, safety and wellbeing

Sickness absence rates for the University as a whole have remained at 2.2%, well below the Higher Education sector average of 4.4%. The rate varies across staff groups, with operational staff being of most concern at a rate of 6.0%. A revised sickness absence procedure promoting early management intervention to improve levels of attendance has now been implemented. The University continues its proactive approach to staff wellbeing, including healthier lifestyles through a range of health and wellbeing campaigns and in partnership with Tyne & Wear Sport through their Active Workplace Programme.

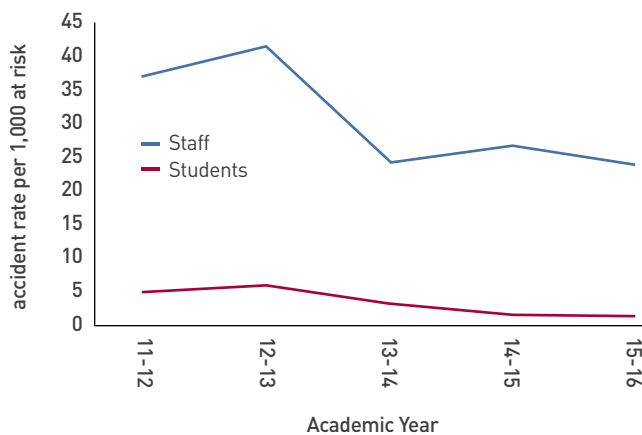
The accident rate (ie the number of workplace accidents per 1,000 staff or students at risk) enables the University to compare accident rates over time, taking into account the varying numbers of staff and students. 2015-16 saw a continuation of the general downward trend in the total accident rates for staff and students over the last five years.

Students studying at our Malaysia campus.



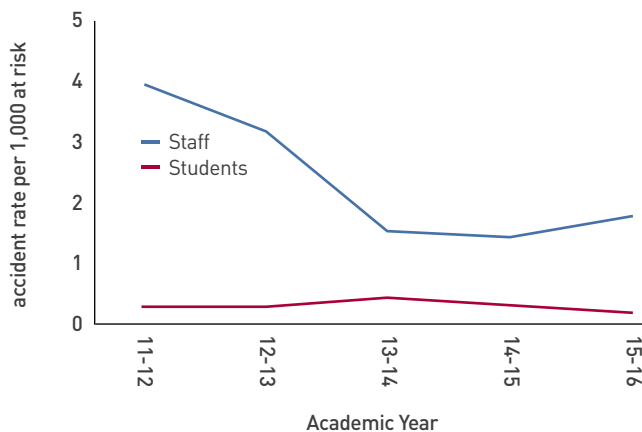
The Rise Up Founderships programme provides support to our graduate entrepreneurs in the form of grants, business coaching, training, office space and network introductions.

### Total accident rates for staff and students



The RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accident rate for staff decreased significantly from 2011–12 to 2013–14 and, after levelling off in 2014–15, it increased slightly in 2015–16. The RIDDOR accident rate for students continues to be low.

### RIDDOR accident rates for staff and students



Much of the previous decrease in the staff RIDDOR accident rate is likely to have been due to changes in the regulatory reporting criteria, particularly the raising of the reporting threshold from three days to seven days. The new on-line University process for the reporting, investigation and follow-up of incidents was introduced in May 2015. This new system and the increased management profile given to incident performance is likely to have contributed, in part, to the decrease in accident rates, particularly with regard to total accident rates. It is still likely that there is some degree of under reporting of incidents. A further review of the incident process is currently underway to ensure the quality of the incident data and to support the units and faculties in their efforts to manage incident performance effectively.

## Information technology

This year, the University-wide IT Service was further embedded, with new units in each of the three faculties joining the service. We now align IT services more closely to academic needs and student expectations, while also driving efficiency through simpler processes. For example, over £6m pa of our IT spend is now through a co-ordinated framework.

Learning, teaching and assessment are supported by high-quality technology and facilities. There were almost five million log-ins to our main virtual learning platform *Blackboard* in 2015–16, an increase of 7.1% on the previous year. The ReCap lecture capture service is an important and valued resource to support learning and teaching. There were 32,047 recordings, attracting more than 700,000 views in the year, an increase of 67% on 2014–15. PC cluster logins exceeded 1,565,000 in 2015–16, up 14%, partially due to the extended provision including the new Marjorie Robinson Library Rooms.

Student satisfaction with our IT provision remains high. The National Student Survey question on ‘access to general IT resources’ scored 92% satisfaction, well inside the top quartile for the sector and in line with the 2014–15 score. The International Student Barometer rated Newcastle at 97% for IT Support and 92% for our Learning Spaces provision.

A vital research facility was approved this year – a £2m investment, which will deliver a High-Performance Computing service for the University between now and 2018.

£3.2m has been invested in the consolidation of servers and data storage within the central Data Centre. This provides for the most effective use of

on-site and cloud computing and reduces risk of data loss, while supporting the University's green agenda. The University has made a further £1.5m investment to complete the project of the replacement and expansion of its campus-wide Wi-Fi service, as well as enhanced visitor Wi-Fi options.

The University has purchased software to facilitate paperless committees/ meetings. This will further reduce our carbon footprint and make more efficient use of staff time.

In July the University's core business system (SAP) was migrated to the next generation of database platform. This will allow quicker decision making, ongoing support and further resilience.

The upgrade of audiovisual facilities across the campus has continued this year. Major developments included the creation of the Herschel Learning Lab, a new innovative learning space designed to be used for collaborative working; more videoconferencing equipment across the faculties; installation of wireless presentation spaces for student group study areas; and video walls in the Marjorie Robinson Library Rooms.

## Estate

Our estate strategic objectives are to facilitate academic priorities and:

- improve the condition and functional suitability of our buildings
- implement the Coherent Campus initiative
- ensure effective utilisation of space
- deliver full life cycle value for money on all major projects

Our strategy is to continue to improve the quality and functional suitability of our floor space through investing in maintenance, new build and refurbishment and withdrawing from or finding alternative uses for space that is no longer fit for purpose. We have significant lettings to third parties. The table below shows our progress to date:

Measure	2012-13	2013-14	2014-15	Russell Group Median	Target** 2015-16
Floor space in condition category A & B	88%	88%	88%	78%*	89%
Floor space in functional suitability grade 1 & 2	87%	91%	91%	86%*	91%
Gross internal area per student & staff FTE (m <sup>2</sup> )	13.7	12.6	12.4	12.9*	12.2

\*Top quartile in the Russell Group (previously benchmarked against a peer group).

\*\*Target 2015-16 figures are subject to HESA data confirmation.



The Urban Sciences Building on Science Central is due for completion in September 2017.



The operational estate area is currently 216,000m<sup>2</sup> (net internal area), an increase of 4,700m<sup>2</sup>. INTO Newcastle University has demolished and redeveloped the Line East Building and leased the upper floors of the Crow's Nest Hotel (releasing 3,400m<sup>2</sup>). Due to growth, despite the small area increase, space per student and staff FTE has reduced. It is estimated that from 2018–19 our floor space will continue to increase.

In 2015–16 we completed Phase 4 of the major refurbishment of the Armstrong Building, with Phase 5A due for completion in September 2016. The Key fabric structure at Science Central was completed. The Tyne Offshore Building was completed, with delivery of the hyperbaric chamber in August 2016, to provide new subsea and offshore engineering research and development facilities. The Marjorie Robinson Library Rooms (a major refurbishment of a building acquired for library use) opened to students in January 2016. In August 2016 Paediatric Oncology research was relocated to expanded facilities refurbished for the purpose in Herschel Building.

We continue to improve the quality of our student teaching and learning facilities and have invested £1.8m in the upgrading of teaching rooms and lecture theatres, and in refurbishing teaching labs, computer rooms and other student-facing areas. Through our Innovative Learning Space project, we have worked consultatively with staff and students to create the Learning Lab, trial different furniture and plan further facilities. Functional suitability (grades 1 and 2) is at 95% (95% target) with frequency of use at 59% (60% target).

The principal investments in the seventh year of the Coherent Campus initiative were a new facility to segregate and recycle waste and in 'greening' the campus (an extensive planting programme). Work has also begun on enhancing the Lovers Lane pedestrian route and improving the vehicular entrance to the Armstrong Building. A new sculpture has been commissioned for the Armstrong Courtyard.

Major projects in progress include the £59.7m Urban Sciences Building, our first building on Science Central due for completion in September 2017. The Building Science extension will provide enhanced architecture workshop and student facilities and the relocation of the Cavitation Tunnel to a development at Port of Blyth will release the

Boiler House for development as an event space. Both of these developments will complete in 2016–17. The Hatton Gallery, Immunology and Armstrong Building Phase 5B refurbishment projects are also scheduled to complete in 2017.

Continued significant future investment in new build and major refurbishment projects is planned. New build includes two further major Science Central site projects which have design in progress: the Learning and Teaching Centre and an Innovation Hub to accommodate the National Innovation Centre for Ageing and the National Institute for Smart Data Innovation. The former student residential site at Richardson Road is being redeveloped for the 1,279-bed Park View Student Village, with outline planning permission for a Sport Centre extension, currently being designed. Sports facility developments (all-weather pitches and pavilion extension) are planned at Cochrane Park.

Further developments under consideration include the Claremont Tower and Bridge and Daysh Building refurbishment, the Science and Engineering Excellence project, a building to house Sport and Exercise Science and Psychology and facilities for the Pharmacy programme being transferred from Durham University.

# FINANCIAL REVIEW

FOR THE YEAR ENDED 31 JULY 2016

38

The Financial Review (pages 38–43) analyses the University's financial performance during the past year and the future outlook. As the University's Chief Financial Officer, I am responsible to the Vice-Chancellor for delivery of the University's financial strategy and the preparation of these financial statements.

## Highlights

	2015–16	2014–15	Change
<b>Income (£m)</b>			
Adjusted	475	458	+ 4%
Reported	476	476	–
<b>EBITDA (£m)</b>			
Adjusted	51	50	+ 2%
Reported	52	68	– 23%
<b>EBITDA as % income</b>			
Adjusted	11%	11%	–
Reported	11%	14%	– 21%
<b>Year-end cash balance (£m)</b>			
Gross	279	164	+ 70%
Net	153	128	+ 20%

The key differences between reported and adjusted results are to remove the impact of pension adjustments and Research and Development Expenditure Credits.

## Introduction

Understanding the University's financial performance has inevitably been impacted by the adoption of new accounting standards, discussed in more detail below. The new standards could make reported surplus a more volatile measure because of potential timing differences, the impact of triennial pension valuations and the impact of market movements in endowment asset values. In recognition of this, the key financial sustainability metric used by the University (in common with most of the sector) is adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA). The

key adjustments made to the EBITDA implied by the Consolidated Statement of Comprehensive Income is to remove the impact of pension adjustments (£10.9m in 2015–16, £26.3m in 2014–15) and Research and Development Expenditure Credits (£0.9m in 2015–16, £17.6m in 2014–15).

Nevertheless, 2015–16 was another very good year for the University. Adjusted EBITDA was £51.4m (10.8% of income) compared to £50.2m (11.0% of income) in 2014–15. Adjusted total income grew by 4% from £458.3m to £475.3m with significant increases in fee income, as a result of the new funding arrangements. Adjusted total expenditure increased

by 4% from £428.6m to £445.5m, reflecting the investment in staff and facilities to successfully deliver the increased volumes of students and research activity.

Gross cash balance increased by £114.9m from £163.6m to £278.5m due to continuing strong EBITDA and the University drawing down a £100.0m loan from the European Investment Bank to fund future capital expenditure partly offset by increased capital expenditure and early repayment of existing loans. Net cash balances, which exclude the impact of borrowing activity, increased by £25.7m from £127.5m to £153.2m.



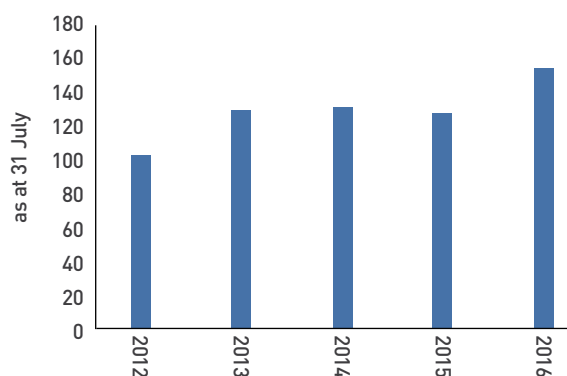
R Dale  
Richard Dale

Executive Director  
of Finance



*The University is to benefit from a £100m loan from the European Investment Bank which will fund a range of campus development projects. The agreement was signed by Richard Dale and Jonathan Taylor, EIB Vice-President.*

Net cash balance (£m)



We believe the recent Comprehensive Spending Review by the UK government produced a reasonable result for the sector and, although we are concerned about the impact of the EU referendum vote and continued volatility in international student recruitment, we are confident that the University is well placed for the future.

## Impact of new accounting standards

In common with the rest of the higher education sector, the University adopted *Financial Reporting Standard 102* and the *Statement of Recommended Practice for Further and Higher Education 2015* as the basis for preparation of its financial statements. The results for 2014–15 have been restated to provide a sensible basis for comparison.

Key changes as a result of adopting the new standard are:

- deferred capital grants are no longer held on the balance sheet and released to income in line with depreciation. Instead capital grants are taken to income on entitlement; this is generally on receipt unless there are performance conditions
- the asset value of our buildings has been separated into major components (structure, fit-out and mechanical/electrical services) and separate depreciation policies applied
- following independent valuation, the asset value of our freehold land on the balance sheet has been increased by £69.3m
- where a performance condition exists, income is recognised when that condition is met. If there are no performance conditions, such as with many specific donations, income is recognised on entitlement, rather than matched against related expenditure – in some cases this may create timing differences
- the discounted value of our future commitment to the USS deficit recovery plan is recognised as a provision in the balance sheet with any change to that discounted value being recognised as an adjustment to expenditure
- the potential liability for staff costs relating to untaken annual leave is now included in the balance sheet – the impact on annual staff costs is not material
- the rate used to calculate the pension finance interest on the assets of our local pension scheme is less favourable. This impacts at total surplus level, but is fully offset within the actuarial loss in respect of the pension scheme, so has no impact at total comprehensive income level
- changes in the value of endowment assets (either through new endowments or because of movements in market value) are now included in the Consolidated Statement of Comprehensive Income rather than the Statement of Consolidated Total Recognised Gains and Losses in previous years and therefore form part of the reported surplus



The restated total surplus for 2014–15 is £25.3m, compared to £44.3m reported in the 2014–15 financial statements. The main reasons for the reduction in the reported surplus are:

	£m
Reported in 2014–15 financial statements	<b>44.3</b>
Change in accounting for deferred capital grants	8.8
Accelerated depreciation from analysing building asset values into components	(1.9)
Change in income recognition relating to performance conditions	(5.0)
Change in accounting for USS	(22.1)
Change in accounting for local pension scheme	(4.3)
Change in accounting for endowment assets	5.9
Other less material changes	(0.4)
Restatement in 2015–16 financial statements	<b><u>25.3</u></b>

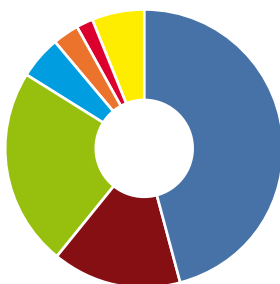
The restated total net assets as at 31 July 2015 are £355.6m, compared to £388.6m reported in the 2014–15 financial statements. The main reasons for the reduction in the reported asset value are:

	£m
Reported in 2014–15 financial statements	<b>388.6</b>
Accelerated depreciation from analysing building asset values into components	(51.8)
Revaluation of land	69.3
Change in income recognition relating to performance conditions	3.5
Change in accounting for USS	(44.7)
Annual leave not yet taken	(8.8)
Other less material changes	(0.5)
Restatement in 2015–16 financial statements	<b><u>355.6</u></b>



## Income

Reported total income in 2015–16 was £476.2m, largely unchanged from £475.9m in 2014–15. However, income in 2014–15 (and to a much lesser extent 2015–16) was inflated by one-off Research and Development Expenditure Credits and the underlying adjusted income grew by 4% from £458.3m to £475.3m. Key income streams are summarised below.



Academic fees	46%
Funding bodies	15%
Research income	23%
Residences, catering and conferences	5%
Health authorities	3%
Endowments, donations and interest	2%
Other income	6%

Academic fees from full-time home and EU students grew by 13% from £115.1m to £129.6m, reflecting growth of 6% in undergraduate students and 4% in postgraduate students, together with the impact of the £9,000 *pa* undergraduate tuition fee introduced in 2012. Income from full-time non-EU students taught in the UK fell by 1% from £68.0m to £67.1m, reflecting an 8% decline in postgraduate students, partly offset by price increases. The reasons for the decline are many and varied but reflect continuing uncertainties over visa restrictions and the impact of greater competition within the UK. Fee income at our overseas campuses grew by 5% from £14.8m to £15.6m, reflecting 10% growth in students, partly offset by foreign exchange movements. Our Singapore and Malaysian operations are now fairly mature so the very high levels of income growth seen in recent years will not continue in the future.

Funding body grants were unchanged at £72.7m with a £3.3m (5%) reduction in recurrent grant from £62.3m to £59.0m offset by a matching increase in capital and specific grants. Funding body grants, as a percentage of adjusted income, declined from 15.9% in 2014–15 to 15.3% in 2015–16, reflecting the continued impact of the new funding regime introduced

in 2012. This percentage is forecast to reduce to 13.9% in 2016–17 as we lose transitional research funding awarded in 2015–16.

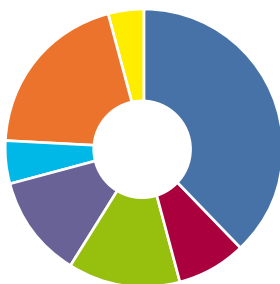
Research income, excluding Research and Development Expenditure Credits, increased by 3% from £106.0m in 2014–15 to £109.3m in 2015–16. Research Council income decreased from £33.7m in 2014–15 to £32.6m in 2015–16. UK government and health authority income increased from £21.5m to £24.9m and research income from EU government sources increased from £13.0m to £14.2m.

Other income declined by 5% from £67.7m to £63.7m, reflecting a reduction in student residence income following the closure of Henderson Hall and a reduction in non-research grant income.

New endowments in 2015–16 were £1.1m (2014–15 £0.4m) and other charitable donations were £4.7m (2014–15 £3.1m). This reflects another successful year for our NU Advancement team.

## Expenditure

Reported expenditure in 2015–16 was £456.4m, slightly higher than 2014–15. However, expenditure in 2014–15 was inflated by the impact of the 2014 USS triennial valuation and the underlying adjusted total expenditure increased by 4% from £428.6m to £445.5m. Key expenditure streams are summarised below.



Academic schools	38%	Residences, catering and conferences	5%
Academic services	8%	Research grants and contracts	20%
Administrative and central services	13%	Other	4%
Premises	12%		

Adjusted staff costs increased by 5% from £238.5m to £249.5m and represented 52.5% of adjusted income (2014–15 52.0%). This is still below the University's long-term target of 55% of total income and we continue to work to recruit additional academic staff. The year-on-year increase reflects a growth of just under 4% in staff numbers and a 1% increase in non-clinical pay scales from 1 August 2015 (with higher increases for lower paid staff). Reported staff costs reduced by 2% from £262.2m to £257.3m largely due to the impact of the 2014 USS triennial valuation on 2014–15 results.

In summary reported staff costs comprise:

	2015–16 £m	2014–15 £m
Adjusted (ie underlying) costs	<b>249.5</b>	<b>238.5</b>
USS pension cost adjustment	3.4	21.4
Local scheme pension cost adjustment	4.4	2.3
Reported costs	<b><u>257.3</u></b>	<b><u>262.2</u></b>

Other operating expenses increased by 1% from £171.0m to £172.3m. Student scholarships, bursaries and prizes increased by £2.1m (10%) from £21.9m to £24.0m reflecting the increased investment in the University's Access Agreement and increased support for postgraduate research students. Equipment purchases increased by £2.5m (13%) from £19.3m to £21.8m, mostly due to increased research grants. The Students' Union subvention increased by 15% from £1.7m to £2.0m reflecting an increased investment in volunteering activity. Building maintenance costs increased by £1.2m (14%) but this was largely offset by a £1.0m (10%) reduction in energy costs in line with market price movements.

Depreciation increased by 13% from £16.2m to £18.2m, reflecting the capital expenditure programme for our estate and continued high levels of equipment expenditure as we continue to invest in our research capacity, notably through the Research Investment Fund. Interest costs increased by £3.1m from £5.4m to £8.5m, mainly due to one-off breakage costs when the existing loans were repaid by the University in December 2015.

## Other items

Our share of the results of our joint ventures was a deficit of £2.0m, compared to a surplus of £1.5m in 2014–15. The movement was mainly due to start-up costs associated with our London campus, which is operated as a joint venture with INTO University Partnerships. Our share of the surplus of the INTO Newcastle joint venture reduced from £3.0m to £1.4m due to reduced student numbers and some one-off prior year gains. Our share of

the loss in Newcastle Science LLP was £0.9m reflecting an impairment of the value of the land held by the joint venture.

The gain on investments in our endowments funds was £2.2m (2014–15: £5.5m). This reflected a more turbulent year in global stock markets, although a strong performance in the final quarter reversed losses seen earlier in the year.

The taxation charge reduced from £3.9m to £0.5m mainly due to the impact of Research and Development Credits in 2014–15 and the related tax liability.

## Pensions

The triennial valuation of the Universities Superannuation Scheme as at 31 March 2014 was concluded in July 2015 and revealed a deficit of £5.3bn relative to the technical provisions (11% of liabilities). A number of structural changes to the scheme have been implemented during 2016. In addition, there was an increase of 2% in employer contributions from 16% of salary to 18% of salary and increases in employee contributions from 1 April 2016.

As the USS is a multi-employer scheme with no basis to accurately identify Newcastle University's share of the assets and liabilities, we do not make a balance sheet provision for our share of the deficit. However, as required by FRS 102, we make a balance sheet provision to be made for the discounted future obligation to make deficit recovery payments. This liability increased by £4.2m during the year from £44.7m to £48.9m to reflect a reduction in the discount rate from 3.0% to 1.8%. The £4.2m was

treated as a cost in the Statement of Comprehensive Income.

The next triennial valuation of the RBP is due as at 1 August 2016. The 1 August 2013 valuation revealed a surplus of £9.8m relative to the technical provisions (6% of liabilities) with an interim valuation as at 1 August 2015 showing an increase in this surplus to £11.9m. As required by accounting standards, staff costs were increased by £4.4m in 2015–16 (2014–15 £2.3m), net interest costs were increased by £2.3m (2014–15 £1.9m) and an actuarial loss of £12.7m (2014–15 £19.7m) was recognised to reflect the FRS 102 valuation of the scheme. Although asset values increased by 15% from £197.6m to £227.1m, this was more than offset by a reduction in the real discount rate from 0.4% at 31 July 2015 to -0.25% at 31 July 2016.

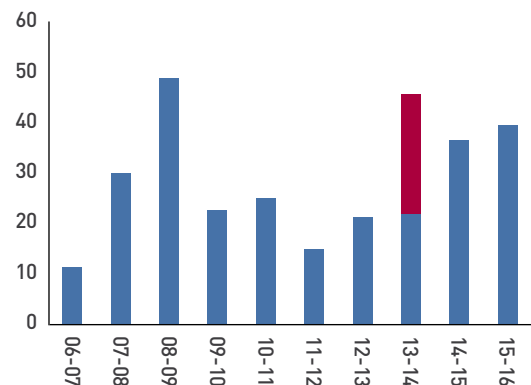
## Balance sheet

Capital expenditure in 2015–16 was £39.7m (2014–15 £37.0m) reflecting continued investment in the University's estate and research and IT capacity. Equipment expenditure was £7.9m, a reduction on the exceptionally high level of expenditure recorded in 2014–15 but significantly higher than the run rate seen in previous years. Land and buildings expenditure was £31.8m compared to £25.7m in 2014–15, reflecting significant expenditure on the Urban Sciences Building at Science Central, modernisation of the Armstrong Building, developments in the Sandyford Road area, development of a new Paediatric Oncology centre, the Tyne Subsea national hyperbaric facility and construction of The Key, a demonstrator facility at Science Central.



### Capital expenditure (£m)

Malaysia campus finance lease shown in red



There were £64.6m of contracted capital commitments at 31 July 2016 (2015 £15.6m) with authorised, but not yet contracted projects totalling £154.5m (2015 £69.4m) including the replacement of student residences at Richardson Road (£73.6m), an extension to the Sports Centre (£25.5m) and the new Learning and Teaching Centre at Science Central (£34.0m).

Trade debtors reduced from £61.8m at 31 July 2015 to £58.2m at 31 July 2016, following payment by HMRC of Research and Development Expenditure Credits relating to 2012–13 and 2013–14.

Gross cash balances increased from £163.6m to £278.5m, reflecting strong EBITDA, the University drawing down a £100.0m loan from the European Investment Bank to fund future capital expenditure and a £13.9m premium received following renewal of the Business School building lease, which will be amortised over the 30-year lease term. These inflows were partly offset by increased capital expenditure and early repayment of existing loans. Net cash balances, which exclude the impact of borrowing activity, increased by £25.7m from £127.5m to £153.2m.

## Treasury

At 31 July 2016, the University had £185.0m short-term cash investments (2015: £135.1m). The level of deposits fluctuates throughout the year with materially higher cash balances between September and December and between May and July due to the timing of tuition fees and HEFCE grants. Although this does not create short-term liquidity issues for the University, it does restrict our flexibility on optimising investment returns. Our investments are controlled by our counterparty policy, which is agreed by Finance Committee with advice from brokers. We only place our money with UK banks and building societies which we consider to be secure based on external benchmarks. We regularly review our investments and take rapid action if we believe there is any deterioration in risk. An independent review of our cash management activities was carried out during 2015–16 and new changes have been made to our processes as a result. During the coming year, Finance Committee will consider options for longer term deposits and alternative near cash investments to make effective short term use of the funds drawn down from the European Investment Bank.



At 31 July 2016, the University had £63.4m of endowments (2015: £62.0m). Endowments are primarily invested in equities. The University uses Majedie, Baillie Gifford and Black Rock to manage its investments. Finance Committee meets formally with our two active managers, Majedie and Baillie Gifford, once a year, and the Executive Director of Finance meets quarterly with them to review progress. In addition, we receive monthly performance reports from all our managers. The University's ethical investment policy provides a mechanism whereby students or staff can challenge how the University invests its funds. As a result of a challenge under this policy, Council has agreed future procurement activity for investment managers that will require them to subscribe to the United Nations Principles for Responsible Investment (UNPRI) with a medium-term aim to divest from companies which do not adopt a progressive attitude to the elimination of carbon for energy and transport.

## Outlook

We expect continued strong financial performance in 2016–17. Although non-EU student recruitment remains a significant challenge, home and EU recruitment appears to be buoyant which will mitigate the impact of any shortfall in non-EU student numbers.

In the medium term, we are concerned about the impact of the EU referendum vote and continued volatility in international student recruitment. Significant work is in progress to understand and mitigate both these threats. Both our main pension schemes give cause for concern and we can foresee very difficult discussions on the continued sustainability of the USS as it prepares for its next actuarial valuation in 2017.

In contrast, we believe the recent Comprehensive Spending Review by the UK government produced a reasonable result for the sector and, despite the challenges, we believe the next few years also present us with significant opportunity and the University has well developed plans for the future to invest in academic staff, student experience, research and IT infrastructure and new buildings.

# CORPORATE GOVERNANCE



Mark l'Anson

**Chair of Council and Pro-Chancellor**

The Corporate Governance Statement (pages 44–47) provides an overview of the governance of the University, processes for ensuring the student voice is heard and for management of risk, Council's responsibilities and the arrangements to ensure sound internal controls are in place. As Chair of Council, I take a lead role in ensuring good governance is exercised by the University.

Newcastle University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to universities from the Committee of University Chairs.

In addition, the University has a responsibility to ensure that slavery and human trafficking are not taking place in our business or in our supply chains. Our Slavery and Human Trafficking Statement can be accessed on our external website at: [www.ncl.ac.uk/foi/publication-scheme/policies](http://www.ncl.ac.uk/foi/publication-scheme/policies)

The University is an independent corporation whose legal status derives from the Universities of Durham and Newcastle upon Tyne Act 1963 which, with its supporting statutes and schedules, sets out the University's objectives, powers and framework of governance.

The statutes require the University to have a number of separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities. Convocation is a meeting of the alumni and is the body that appoints the Chancellor. Academic Board is a meeting of all academic and related staff and receives an annual report from the Vice-Chancellor.

The Registrar acts as Secretary of Council and Senate. Any enquiries about the constitution and governance of the University should be addressed to the Registrar. The University maintains a Register of Interests of Members of Council and Senior Officers, which may be consulted by arrangement with the Registrar.

## Senate

Senate is the academic authority of the University and draws its membership predominantly from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University. Senate met six times during 2015–16, including one joint meeting with Council.

## Court

Court is not part of the University's day-to-day decision-making processes, but plays an important and influential role on behalf of the University's stakeholders. Its membership is representative of the University, the local community and other organisations with an interest in the work of the University. It meets twice a year to receive a report from the Vice-Chancellor and to discuss any matters relevant to the interests and wellbeing of the University.

## Council

Council is the supreme governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. It is also responsible for the University's system of internal control and for reviewing its effectiveness, including the appropriateness of its arrangements for risk management and value for money. It keeps under regular review the performance of the University and makes use of key performance indicators to assist in this task. A statement of Council's primary responsibilities is provided on pages 46–47.

Council undertakes annual reviews of its effectiveness. During 2015 it undertook a governance review in light of *The Higher Education Code of Governance* published by the Committee of University Chairs

in December 2014. The review did not recommend any fundamental change to the governance systems but has produced a wide range of operational improvements which have been implemented in 2015–16. One of the recommendations of the governance review was, given the scale of our capital programme, to establish an Estates Capital Strategic Planning Committee as a sub-committee of Executive Board but including lay membership. The University complies with all seven primary elements in the code and the compulsory elements.

Council has a majority of members from outside the University (lay members) including three lay officers; Chair, Vice-Chair and Treasurer. Members also include staff of the University and the student body. None of the lay members receives any payment, apart from reimbursed expenses, for the work they do for the University. Council normally meets six times each academic year.

Members of Council during 2015–16 were:

Mr Mark l'Anson (Chair) <sup>1</sup>  
Professor Chris Brink <sup>2</sup>  
Mr Neil Braithwaite <sup>1</sup>  
Professor Paul Christensen <sup>2</sup>  
Mr Mike Davison <sup>1</sup>  
Mr Dominic Fearon <sup>3</sup>  
Dr Jonathan Galloway <sup>2</sup>  
Mr Jonathan Glass <sup>1</sup>  
Mrs Teresa Graham <sup>1</sup>  
Ms Jacqui Henderson (Vice-Chair) <sup>1</sup>  
Professor Tom Joyce <sup>2</sup>  
Mr Stephen Lightley (Treasurer) <sup>1</sup>  
Professor Neill Marshall <sup>2</sup>  
Mr Jeff McIntosh <sup>1</sup>  
Mrs Heidi Mottram <sup>1</sup>  
Ms Dianne Nelmes <sup>1</sup>  
Dr Ole Pedersen <sup>2</sup>  
Mr Simon Pleydell <sup>1</sup>  
Mr Matthew Price <sup>3</sup>  
Professor Tony Stevenson <sup>2</sup>

Mr Paul Walker (appointed Vice-Chair 8 February 2016)<sup>1</sup>  
Ms Vicky Wright<sup>1</sup>

<sup>1</sup> Lay member

<sup>2</sup> Employee of the University

<sup>3</sup> Student representative

Council met six times during 2015–16, including one joint meeting with Senate. Amongst other matters and, in consultation with Senate, Council agreed to:

- the University's approach to implementing the Prevent duties required as a result of the Counter Terrorism and Security Act 2015
- the final business case for the Learning and Teaching Centre to be the University's second major building at Science Central
- an outline case for an innovation hub to be the University's third major building at Science Central
- the investment of £30m in new sports facilities
- the appointment of Professor Chris Day as the next Vice-Chancellor from January 2017
- the transfer of the School of Medicine, Pharmacy and Health from the University of Durham

Much of the detailed work is routed through committees of Council. The following five committees are formally constituted as committees of Council with written terms of reference and specified membership, including a significant proportion of lay members. The decisions of these committees are reported to Council and, where relevant, Senate.

## Audit Committee

Audit Committee is a committee of Council, comprising three lay members of Council and two additional lay members. It meets five times each year with the University's internal auditors (and, where relevant, external auditors) in attendance. The Committee reviews the University's strategic risk management and the effectiveness of internal control systems by considering detailed reports together with recommendations for improvement, management responses and implementation plans. As part of its annual opinion it also gives assurance about the management and quality of data to HEFCE, Higher Education Statistics Agency and other public bodies. Members during 2015–16 were:

Mr Mike Davison (Chair)  
Ms Jacqui Henderson  
Mr Jonathan Glass  
Dr Mike Laker  
Ms Angela Woodburn

As part of the review of governance, Audit Committee commenced its own effectiveness review which will be completed in 2016.

## Finance Committee

Finance Committee considers and recommends to Council the financial strategy for the University and advises on investments, determines the level of funding to be made available to support the annual budget allocations, approves the accounting policies and considers the financial statements. It also has overall responsibility for ensuring the appropriate management of taxation within the University. Members during 2015–16 were:

Mr Stephen Lightley (Chair)  
Mr Neil Braithwaite  
Professor Chris Brink  
Mr Mark l'Anson  
Mr Jeff McIntosh  
Professor Tony Stevenson

## Nominations Committee

Nominations Committee makes recommendations to Council in respect of the appointment of lay members of Council, the offices of Chair and Vice-Chair of Council, Honorary Treasurer and members of the Committees of Council. Members during 2015–16 were:

Mr Mark l'Anson (Chair)  
Professor Chris Brink  
Sir Michael Darrington  
Mr Richard Maudslay  
Ms Claire Morgan  
Mr Simon Pleydell  
Professor Tony Stevenson  
Mr Paul Walker

Council has approved a strategy for the appointment of new lay members which Nominations Committee implements on its behalf. The intention remains to appoint high-calibre individuals with specific skills that are of value to the University and a commitment to the principles and future success of the University. Prior engagement with the University via a committee or similar is an advantage before an individual joins the governing body. Council benefits from a diversity of members and actively seeks to promote equality and diversity throughout the institution. It is committed to the aim of the 30% Club – at least 30%, and preferably more, of its lay members to be women.

## Remuneration Committee

Remuneration Committee considers the remuneration and terms and conditions of senior members of staff. Members during 2015–16 were:

Ms Jacqui Henderson (Chair)  
Mr Mark l'Anson  
Professor Chris Brink  
Mr Stephen Lightley  
Mr Simon Pleydell  
Ms Vicky Wright

## University/Students' Union Partnership Committee

The student voice and student engagement are important features of our governance and strategic planning processes. As active members of the University community, students trained by Newcastle University Students' Union contribute through our representation system as course representatives and student chairs of staff–student committees. Council, Senate, Court and many key University committees and groups include elected student members. The University and the Students' Union have a joint Partnership Committee, constituted as a sub-committee of Council, chaired by a lay member of Council, which meets regularly to discuss matters of common interest. This committee also discharges the University's obligations with regards to the Students' Union under the terms of the Education Act 1994 on behalf of Council.

## Executive Board

Executive Board is the senior management team of the University and is formally designated as a joint committee of Council and Senate. It keeps under review the University's strategy and makes recommendations on the development of the strategy to Senate and Council. It develops and regularly reviews the University's business plan, assesses the risks related to the delivery of the plan, and ensures that appropriate measures are in place to assure the financial sustainability of the University's activities. Executive Board reports on these matters regularly to Council. Through the monitoring undertaken by its Financial Monitoring and Budget Scrutiny Group and Budget Setting Group, Executive Board is also responsible for the use of resources and financial performance of all budgetary units. It has particular responsibility for value for money.

The principal academic and administrative officer of the University is the Vice-Chancellor, who has general responsibility for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal HEFCE Memorandum of Financial Assurance and Accountability, the Vice-Chancellor is the accountable officer of the University. In that capacity he and the Chair of Council can be summoned to appear before the Public Accounts Committee of the House of Commons. The Vice-Chancellor is also responsible for assuring the quality and accuracy of University data provided to HEFCE, HESA and other public bodies. As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The Deputy Vice-Chancellor, Pro-Vice-Chancellors and senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with Council. Members of Executive Board during 2015–16 were:

Professor Chris Brink  
(Vice-Chancellor)

Professor Tony Stevenson  
(Deputy Vice-Chancellor)

Professor Suzanne Cholerton  
(Pro-Vice-Chancellor – Learning and Teaching)

Professor Richard Davies  
(Pro-Vice-Chancellor – Engagement and Internationalisation)

Professor Chris Day  
(Pro-Vice-Chancellor – Medical Sciences)

Professor Julie Sanders  
(Pro-Vice-Chancellor – Humanities and Social Sciences)

Professor Steve Homans  
(Pro-Vice-Chancellor – Science, Agriculture and Engineering until 31 December 2015)

Professor Philip Wright  
(Pro-Vice-Chancellor – Science, Agriculture and Engineering from 1 January 2016)

Professor Nicholas Wright  
(Pro-Vice-Chancellor – Research and Innovation)

Dr John Hogan (Registrar)

Mr Richard Dale  
(Executive Director of Finance)

Ms Abi Kelly  
(Executive Director of Corporate Affairs)

Mrs Veryan Johnston  
(Executive Director of Human Resources until 31 December 2015)

## Managing risk

In common with all organisations we are affected by a number of risk factors, not all of which are wholly within our control. Although some of the risk factors are macroeconomic and likely to affect the performance of the higher education sector as a whole, others are particular to Newcastle University. Some risks may be unknown to us and other risks, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our income, expenditure, assets and liquidity adversely. We have a defined University-wide risk management process for identifying, evaluating and managing the significant risks faced by the University. A summary of the key strategic risks is presented to each meeting of Council.

## Council: Statement of Primary Responsibilities

Council is the supreme governing body of the University, subject to the provisions of the University's statutes. The primary responsibilities of Council have been revised in light of the statement of primary responsibilities taken from the Higher Education Code of Governance published in December 2014 and are as follows:

- to approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders
- to ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions
- to delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate and human resource management of the institution; and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution
- to ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest

- to establish processes to monitor and evaluate the performance and effectiveness of the governing body itself
- to conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life
- to safeguard the good name and values of the institution
- to appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance
- to appoint a Secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability
- to be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy
- to be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate
- to be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name
- to receive assurance that adequate provision has been made for the general welfare of students
- to act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution
- to ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen

## Responsibilities of Council in the Preparation of the Financial Statements

In accordance with the University's statutes, Council is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

Council is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's statutes, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Memorandum of Financial Assurance and Accountability agreed between HEFCE and the University, Council, through its accountable officer, is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has ensured that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis

Council has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Memorandum of Financial Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources

- safeguard the assets of the University and prevent and detect fraud
- secure the economical, efficient and effective management of the University's resources and expenditure

## Statement on Internal Control

Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible. This is in accordance with the responsibilities assigned to the governing body in the Universities of Durham and Newcastle upon Tyne Act 1963 and the Memorandum of Financial Assurance and Accountability with HEFCE. It is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements of the University's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of, and the authority delegated to, heads of academic units and heads of administrative services
- a comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- clearly defined and formalised requirements for approval and control of expenditure
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by Council and Finance Committee
- key performance and risk indicators, which are monitored by the senior management team (through Executive Board) on a regular basis. Appropriate action is taken to address performance issues and the outcome reported to Council
- an ongoing process designed to identify the principal risks (whether business, operational, compliance or financial) to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The reporting method

uses a system whereby risks are ranked in terms of likelihood and impact and are reviewed and reported to Council to assure it that procedures are in place for the identified risks to be managed

Council is of the view that the University's process for identifying, evaluating and managing its significant risks is embedded into ongoing operations and has been in place for the year ended 31 July 2016 and up to the date of the approval of the financial statements.

The system of internal control is regularly reviewed by Council and accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education. It is informed also by a professional Internal Audit team, which complies with the professional standards of the Chartered Institute of Internal Auditors. Senior management and Audit Committee have also reviewed the performance of Internal Audit and are satisfied with it.

The Internal Audit strategy and plan is approved by the Audit Committee and endorsed by Council. The senior management team and Audit Committee receive regular internal audit reports, which include recommendations for improvement. Internal Audit provides an annual report to Council, which includes an opinion on the adequacy and effectiveness of the University's system of internal control, including risk management, corporate governance, internal control and value for money.

## Public Disclosure

Council membership, agenda, unreserved papers and minutes are all made publicly available on the University website.

# INDEPENDENT AUDITOR'S REPORT

## TO THE COUNCIL OF NEWCASTLE UNIVERSITY

48

We have audited the financial statements of Newcastle University for the year ended 31 July 2016 which comprise the Statement of Principal Accounting Policies, the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable to the UK and Republic of Ireland.

This report is made solely to the Council as a body in accordance with paragraph 15 of the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the Council 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 Council as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Council and auditor

As explained more fully in the Statement of Responsibilities of Council in the Preparation of the Financial Statements (set out on pages 46-47), the Council is responsible for preparing the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information contained in the Strategic Report, Operating and Financial Review and Corporate Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

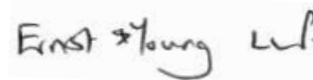
- give a true and fair view of the state of affairs of the Group and of the University as at 31 July 2016 and of the surplus of the Group's and University's income over expenditure and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, the Financial Reporting Standard applicable to the UK and Republic of Ireland; and

- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education

### Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- funds for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Memorandum of Assurance and Accountability with Higher Education Funding Council for England; and
- the requirements of the Higher Education Funding Council for England's Accounts direction to higher education institutions for 2015-16 financial statements have been met



**Ernst & Young LLP**  
**Statutory Auditor**  
**Edinburgh**  
**31 October 2016**

The maintenance and integrity of Newcastle University's website is the responsibility of its Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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



# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

## 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard 102 (FRS 102). The financial statements are prepared under the historical cost convention (modified by the revaluation of endowment asset investments). They conform to the guidance published by the Higher Education Funding Council for England.

## 2. Basis of consolidation

The consolidated financial statements consolidate the results of the University and all subsidiary undertakings for the financial year to 31 July 2016. Intra-group transactions are eliminated on consolidation.

Details of the University's subsidiary and associated undertakings, investment in joint ventures and other investments are provided in notes 14–16 to the financial statements.

Associated undertakings and joint ventures are accounted for using the equity method.

Associated undertakings are those in which the University has a participating interest and a significant influence over their commercial and financial policy decisions.

The consolidated financial statements do not include the results of Newcastle University Students' Union as it is a separate company limited by guarantee in which the University has no financial interest and no control or significant influence over its policy decisions.

The consolidated financial statements do not include the results of the University of Newcastle upon Tyne Development Trust as it is a separate charity which manages its funds independently of the University. Although the University nominates some of the trustees, it has no control of the Trust's decisions.

## 3. Income recognition

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

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

### Grant funding

Grant funding including funding council recurrent grants, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

### Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. 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.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

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

There are four main types of donations and endowments identified within reserves:

- restricted donations – the donor has specified that the donation must be used for a particular objective
- 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
- restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital
- 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

Income from expendable endowments is recognised to the extent of the related expenditure during the year. Permanent endowments are managed on a total return basis. The entire investment return is included in the Statement of Comprehensive Income to the extent of the related expenditure during the year.

### Capital grants

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

## 4. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Newcastle upon Tyne Retirements Benefits Plan (1971) (RBP) which is an Exempt Approved Scheme under the Finance Act 1970. The schemes are defined benefit schemes which are externally funded and were contracted out of the State Second Pension (S2P) until 31 March 2016. Each fund is valued every three years by professionally qualified independent actuaries.

A small number of staff remain in other pension schemes.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities to University members due to the mutual nature of the scheme and, therefore, this scheme is accounted for as if it were a defined contribution scheme. As a result, the amount charged to expenditure represents the contributions payable to the scheme in respect of the accounting period.

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

The RBP scheme's assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on AA corporate bonds. The post-retirement benefit surplus or deficit is included on the University's balance sheet, net of the related amount of deferred tax. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the scheme. The current service cost and any past service costs are included in expenditure within staff costs. The interest income on the scheme's assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within investment income or interest and other finance costs. Actuarial gains and losses are recognised, net of the related deferred tax, in Other Comprehensive Income.

## 5. Employment benefits

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

## 6. Maintenance of premises

The University has a rolling long-term maintenance plan which is reviewed periodically and forms the basis of the ongoing maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to expenditure as incurred.

## 7. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## 8. 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.

## 9. Foreign currency

### University

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. Foreign exchange differences arising on translation are recognised in surplus or deficit.

### Group

The assets and liabilities of foreign subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The revenue and expenses of foreign subsidiary undertakings 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. The exchange difference arising on the retranslation of opening net assets is taken to Other Comprehensive Income. All other exchange differences are recognised in surplus or deficit.

## 10. Fixed assets

Fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Freehold land was revalued to fair value on transition to the 2015 SORP, and is measured on the basis of deemed cost, being the revalued amount at the 31 July 2014 transition date.

### Land and buildings

Land and buildings are stated at cost / deemed cost. Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings and major refurbishments are depreciated on a straight line basis over their expected useful lives to the University, by components (where appropriate) as follows:

**Structure** – 50 years

**Fit-out** – 20 years

**Mechanical/electrical services**  
– 15 years

Short-leasehold buildings are generally depreciated over the life of the lease.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Costs incurred in relation to land and buildings after initial purchase or construction, are capitalised to the extent that they increase the expected future benefits to the University beyond their previously assessed standard of performance.

### Equipment

Equipment costing less than £25,000 per individual item or group of related items and all software costs are recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

**Research vessel** – 25 years

**General equipment** – 4 to 10 years

**Equipment acquired for specific research projects** – project life (generally 3 years)

**Leased equipment** – period of lease

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

### Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

### 11. Heritage assets

Where material, heritage assets purchased on or after 1 August 2007 are measured and recognised at their cost. Where reliable cost or valuation information is available assets acquired prior to 1 August 2007 are included in fixed assets.

### 12. Intangible assets

Intangible assets are amortised over 5 years representing the remaining estimated economic life of the assets. They are subject to periodic impairment reviews as appropriate.

### 13. Investments

Non-current asset investments that are not listed on a recognised stock exchange are carried at historical cost, less any provision for impairment in their value.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's financial statements.

Current asset investments are held at fair value with movements recognised in the surplus for the year.

### 14. Stock

Stock is held at the lower of cost and net realisable value and is measured using an average cost formula.

### 15. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

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

### 16. Provisions

Provisions are recognised in the financial statements when:

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

### 17. Accounting for joint operations, jointly controlled assets and jointly controlled operations

The University accounts for its share of joint ventures using the equity method.

The University accounts for its share of transactions from joint operations and jointly controlled assets in the Statement of Comprehensive Income.

### 18. 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 Paragraph 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 Sections 478–488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax (VAT). The University's subsidiary companies are subject to corporation tax and VAT in the same way as any other commercial organisation.

### 19. Reserves

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

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

### 20. Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 30.

The University has elected to use a first time adoption exemption to revalue its freehold land at the 31 July 2014 transition date and use this as deemed cost.

# Consolidated and University Statement of Comprehensive Income

for the year ended 31 July 2016

INCOME	Note	CONSOLIDATED		UNIVERSITY	
		2016	2015	2016	2015
		£m	£m	£m	£m
Tuition fees and education contracts	1	220.6	205.7	205.0	190.9
Funding body grants	2	72.7	72.7	72.7	72.7
Research grants and contracts	3	110.2	123.6	110.2	123.6
Other income	4	63.7	67.3	68.7	72.2
Investment income	5	3.2	3.1	3.2	3.1
Donations and endowments	6	5.8	3.5	5.8	3.5
<b>Total income</b>		<u>476.2</u>	<u>475.9</u>	<u>465.6</u>	<u>466.0</u>
<b>EXPENDITURE</b>					
Staff costs	7	257.3	262.2	251.9	257.3
Other operating expenses	8	172.3	171.0	168.7	166.4
Depreciation	12	18.2	16.2	17.3	15.3
Amortisation	13	0.1	0.1	0.1	0.1
Interest and other finance costs	9	8.5	5.4	6.7	3.4
<b>Total expenditure</b>	10	<u>456.4</u>	<u>454.9</u>	<u>444.7</u>	<u>442.5</u>
<b>Surplus before other gains / losses and share of operating surplus / (deficit) of joint ventures and associate</b>		19.8	21.0	20.9	23.5
Gain on disposal of fixed assets		–	1.3	–	1.3
Gain on investments	21	2.2	5.5	2.2	5.5
Share of operating (deficit) / surplus in joint ventures	15	(2.0)	1.5	–	–
Share of operating deficit in associate	16	(0.1)	(0.1)	–	–
<b>Surplus before tax</b>		<u>19.9</u>	<u>29.2</u>	<u>23.1</u>	<u>30.3</u>
Taxation	11	<u>(0.5)</u>	<u>(3.9)</u>	<u>(0.3)</u>	<u>(3.8)</u>
<b>Surplus for the year</b>		19.4	25.3	22.8	26.5
Actuarial loss in respect of pension scheme	27	(12.7)	(19.7)	(12.7)	(19.7)
<b>Total comprehensive income for the year</b>		<u>6.7</u>	<u>5.6</u>	<u>10.1</u>	<u>6.8</u>
<b>Represented by:</b>					
Endowment comprehensive income for the year	21	1.4	4.4	1.4	4.4
Restricted comprehensive income for the year	22	(0.1)	(4.1)	(0.1)	(4.1)
Unrestricted comprehensive income for the year		5.4	5.3	8.8	6.5
<b>Attributable to the University</b>		<u>6.7</u>	<u>5.6</u>	<u>10.1</u>	<u>6.8</u>

All items of income and expenditure arise from continuing operations.

# Consolidated and University Statement of Changes in Reserves

for the year ended 31 July 2016

CONSOLIDATED	Income and expenditure account			Total excluding non-controlling interest £m	Non- controlling interest £m	Total £m
	Endowment £m	Restricted £m	Unrestricted £m			
<b>Balance at 1 August 2014</b>	57.6	7.9	284.4	349.9	0.1	350.0
Surplus from the income statement	7.2	13.7	4.4	25.3	–	25.3
Other comprehensive income	–	–	(19.7)	(19.7)	–	(19.7)
Release of restricted funds spent	(2.8)	(17.8)	20.6	–	–	–
<b>Total comprehensive income for the year</b>	4.4	(4.1)	5.3	5.6	–	5.6
<b>Balance at 1 August 2015</b>	62.0	3.8	289.7	355.5	0.1	355.6
Surplus from the income statement	4.6	13.5	1.3	19.4	–	19.4
Other comprehensive income	–	–	(12.7)	(12.7)	–	(12.7)
Release of restricted funds spent	(3.2)	(13.6)	16.8	–	–	–
<b>Total comprehensive income for the year</b>	1.4	(0.1)	5.4	6.7	–	6.7
<b>Balance at 31 July 2016</b>	63.4	3.7	295.1	362.2	0.1	362.3

UNIVERSITY	Income and expenditure account			Total excluding non-controlling interest £m	Non- controlling interest £m	Total £m
	Endowment £m	Restricted £m	Unrestricted £m			
<b>Balance at 1 August 2014</b>	57.6	7.9	287.0	352.5	–	352.5
Surplus from the income statement	7.2	13.7	5.6	26.5	–	26.5
Other comprehensive income	–	–	(19.7)	(19.7)	–	(19.7)
Release of restricted funds spent	(2.8)	(17.8)	20.6	–	–	–
<b>Total comprehensive income for the year</b>	4.4	(4.1)	6.5	6.8	–	6.8
<b>Balance at 1 August 2015</b>	62.0	3.8	293.5	359.3	–	359.3
Surplus from the income statement	4.6	13.5	4.7	22.8	–	22.8
Other comprehensive income	–	–	(12.7)	(12.7)	–	(12.7)
Release of restricted funds spent	(3.2)	(13.6)	16.8	–	–	–
<b>Total comprehensive income for the year</b>	1.4	(0.1)	8.8	10.1	–	10.1
<b>Balance at 31 July 2016</b>	63.4	3.7	302.3	369.4	–	369.4


# Consolidated and University Balance Sheet

as at 31 July 2016

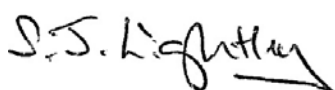
54

	Note	CONSOLIDATED		UNIVERSITY	
		2016 £m	2015 £m	2016 £m	2015 £m
<b>NON-CURRENT ASSETS</b>					
Fixed assets	12	333.3	309.5	312.2	289.8
Intangible assets	13	0.2	0.3	0.2	0.3
Investments	14	61.2	61.4	80.3	81.1
Investment in joint ventures	15	11.6	16.3	–	–
Investment in associate	16	0.2	0.2	–	–
		<u>406.5</u>	<u>387.7</u>	<u>392.7</u>	<u>371.2</u>
<b>CURRENT ASSETS</b>					
Stocks in hand		0.1	0.1	0.1	0.1
Trade and other receivables	17	58.2	61.8	59.0	61.5
Short-term liquid deposits		185.0	135.1	185.0	135.1
Cash and cash equivalents	23	93.5	28.5	86.9	25.6
		<u>336.8</u>	<u>225.5</u>	<u>331.0</u>	<u>222.3</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
	18	(102.5)	(106.0)	(99.2)	(103.4)
<b>NET CURRENT ASSETS</b>					
		<u>234.3</u>	<u>119.5</u>	<u>231.8</u>	<u>118.9</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		640.8	507.2	624.5	490.1
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
	19	(141.2)	(37.9)	(117.8)	(17.1)
<b>PENSION PROVISIONS</b>					
	20	(137.3)	(113.7)	(137.3)	(113.7)
<b>TOTAL NET ASSETS</b>					
		<u>362.3</u>	<u>355.6</u>	<u>369.4</u>	<u>359.3</u>
<b>RESTRICTED RESERVES</b>					
Income and expenditure reserve – endowment reserve	21	63.4	62.0	63.4	62.0
Income and expenditure reserve – restricted reserve	22	3.7	3.8	3.7	3.8
<b>UNRESTRICTED RESERVES</b>					
Income and expenditure reserve – unrestricted reserve		295.1	289.7	302.3	293.5
		<u>362.2</u>	<u>355.5</u>	<u>369.4</u>	<u>359.3</u>
<b>NON-CONTROLLING INTEREST</b>					
		0.1	0.1	–	–
<b>TOTAL RESERVES</b>					
		<u>362.3</u>	<u>355.6</u>	<u>369.4</u>	<u>359.3</u>

The financial statements were approved by Council on 31 October 2016 and signed on its behalf by:



C H BRINK,  
Vice-Chancellor



S J LIGHTLEY,  
Treasurer



R C DALE,  
Executive Director of Finance

# Consolidated Cash Flow Statement

for the year ended 31 July 2016

	Note	2016 £m	2015 £m
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus for the year		19.4	25.3
<b>Adjustment for non-cash items</b>			
Depreciation		18.2	16.2
Amortisation of intangibles		0.1	0.1
Gain on investments		(2.2)	(5.5)
Decrease / (increase) in debtors		5.0	(25.3)
Increase / (decrease) in creditors		10.4	(3.8)
Increase in pension provision		10.9	26.3
Share of operating deficit / (surplus) in joint ventures		2.0	(1.5)
Share of operating deficit in associate		0.1	0.1
<b>Adjustment for investing or financing activities</b>			
Investment income		(3.2)	(3.1)
Interest payable		2.1	2.8
Loan breakage costs		3.3	–
Endowment income		(1.1)	(0.4)
Profit on the sale of fixed assets		–	(1.3)
Capital grant income		(11.2)	(10.0)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<u>53.8</u>	<u>19.9</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sales of fixed assets		–	1.4
Capital grants receipts		10.6	10.5
Withdrawal of deposits		12.0	24.0
Investment income		3.1	2.9
Profit distribution from joint venture		2.8	2.3
Payments made to acquire fixed assets		(39.7)	(37.0)
Payments made to acquire intangible assets		–	(0.4)
New non-current asset investments		(0.2)	(2.5)
New deposits		(59.4)	(33.3)
		<u>(70.8)</u>	<u>(32.1)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(0.5)	(0.8)
Loan breakage costs		(3.3)	–
Interest element of finance lease		(1.5)	(2.3)
Endowment cash received		1.1	0.4
New unsecured loans		100.0	–
Repayments of amounts borrowed		(13.8)	(1.0)
		<u>82.0</u>	<u>(3.7)</u>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR</b>		<u>65.0</u>	<u>(15.9)</u>
Cash and cash equivalents at beginning of the year	23	28.5	44.4
Cash and cash equivalents at end of the year	23	93.5	28.5

# Notes to the Financial Statements

## 1 TUITION FEES AND EDUCATION CONTRACTS

	CONSOLIDATED		UNIVERSITY	
	2016 £m	2015 £m	2016 £m	2015 £m
Full-time students	129.6	115.1	129.6	115.1
Full-time students charged overseas fees, UK taught	67.1	68.0	67.1	68.0
Full-time students charged overseas fees, overseas taught	15.6	14.8	–	–
Part-time fees	2.6	2.5	2.6	2.5
Research training support grants	2.9	3.0	2.9	3.0
Short courses	2.8	2.3	2.8	2.3
	<u>220.6</u>	<u>205.7</u>	<u>205.0</u>	<u>190.9</u>

## 2 FUNDING BODY GRANTS

	CONSOLIDATED AND UNIVERSITY	
	2016 £m	2015 £m
HEFCE recurrent grant	59.0	62.3
HEFCE specific grants	6.8	4.1
HEFCE Capital Investment Framework (CIF) grants	6.2	4.5
HEFCE other capital grants	0.7	1.8
	<u>72.7</u>	<u>72.7</u>

## 3 RESEARCH GRANTS AND CONTRACTS

	CONSOLIDATED AND UNIVERSITY	
	2016 £m	2015 £m
Research Councils	32.6	33.7
UK charities	24.3	24.3
UK government	24.9	21.5
European Commission	14.2	13.0
Other grants and contracts	13.3	13.5
Research Development Expenditure Credit Scheme	0.9	17.6
	<u>110.2</u>	<u>123.6</u>

## 4 OTHER INCOME

	CONSOLIDATED		UNIVERSITY	
	2016 £m	2015 £m	2016 £m	2015 £m
Residences, catering and conferences	23.7	23.4	23.7	23.4
Other services rendered	15.6	15.2	15.6	15.2
Health authorities	9.9	10.3	9.9	10.3
Other capital grants	0.1	0.5	0.1	0.5
Other income	14.4	17.9	13.6	17.6
Income from subsidiary companies	–	–	5.8	5.2
	<u>63.7</u>	<u>67.3</u>	<u>68.7</u>	<u>72.2</u>

## 5 INVESTMENT INCOME

	CONSOLIDATED AND UNIVERSITY	
	2016 £m	2015 £m
Investment income on endowments (note 21)	1.3	1.3
Other investment income	1.9	1.8
	<u>3.2</u>	<u>3.1</u>

## 6 DONATIONS AND ENDOWMENTS

	CONSOLIDATED AND UNIVERSITY	
	2016 £m	2015 £m
New endowments net of transfers out from expendable endowments (note 21)	1.1	0.4
Donations with restrictions	4.7	3.1
	<u>5.8</u>	<u>3.5</u>



## Notes to the Financial Statements (continued)

7 STAFF	CONSOLIDATED		UNIVERSITY	
	2016 £m	2015 £m	2016 £m	2015 £m
<b>Staff Costs</b>				
Salaries	192.9	186.6	187.6	181.7
Social security costs	17.2	15.3	17.1	15.3
Other pension costs	39.4	36.6	39.4	36.6
	<u>249.5</u>	<u>238.5</u>	<u>244.1</u>	<u>233.6</u>
Movement on USS provision	3.4	21.4	3.4	21.4
RBP Pension additional service cost	4.4	2.3	4.4	2.3
	<u>257.3</u>	<u>262.2</u>	<u>251.9</u>	<u>257.3</u>

	2016 £000	2015 £000
Emoluments of the Vice-Chancellor:		
Salary	248.0	244.8
Benefits in kind	4.1	–
	<u>252.1</u>	<u>244.8</u>
Pension contributions	64.8	61.7
	<u>316.9</u>	<u>306.5</u>

Remuneration of higher paid staff, excluding the Vice-Chancellor and employer's pension contributions (clinical staff numbers, included within these totals, are shown in brackets):

	2016 Number	2015 Number
£100,000–£109,999	20 (12)	18 (8)
£110,000–£119,999	20 (7)	17 (8)
£120,000–£129,999	13 (8)	12 (4)
£130,000–£139,999	16 (9)	12 (9)
£140,000–£149,999	14 (12)	8 (7)
£150,000–£159,999	9 (8)	9 (9)
£160,000–£169,999	5 (5)	12 (12)
£170,000–£179,999	6 (5)	7 (6)
£180,000–£189,999	5 (5)	6 (6)
£190,000–£199,999	5 (5)	3 (3)
£200,000–£209,999	1 (1)	3 (3)
£210,000–£219,999	4 (4)	4 (4)
£230,000–£239,999	–	1 (1)
£250,000–£259,999	1 (1)	–
	<u>119</u>	<u>112</u>

Staff Numbers	2016 Average FTEs	2015 Average FTEs
Academic	1,448	1,379
Support	2,839	2,751
Research	1,030	1,040
	<u>5,317</u>	<u>5,170</u>

### Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel. The University defines key management personnel as the members of its Executive Board. For the year ended 31 July 2016 Executive Board consisted of 11 full-time members of staff (2015: 11) including the Vice-Chancellor.

	2016 £m	2015 £m
Key management personnel compensation:		
Salary and benefits (including employer's pension contributions)	<u>2.0</u>	<u>1.9</u>

## Notes to the Financial Statements (continued)

### 8 OTHER OPERATING EXPENSES

	CONSOLIDATED		UNIVERSITY	
	2016 £m	2015 £m	2016 £m	2015 £m
Professional fees and bought in services	34.9	33.8	34.1	33.2
Staff-related expenditure	23.7	22.8	23.1	22.0
Student scholarships, bursaries and prizes	24.0	21.9	23.9	21.8
Consumables and laboratory expenditure	19.2	20.0	18.8	19.6
Non-capitalised equipment purchases and maintenance	21.8	19.3	21.4	18.8
Operating lease rentals – land and buildings	7.6	6.7	7.6	6.7
Rents, rates and insurance	4.6	5.8	3.1	4.6
Heat, light, water and power	9.2	10.2	8.8	9.8
Building maintenance	9.8	8.6	9.8	8.6
Books and periodicals	6.2	5.8	6.2	5.8
NHS and agency staff	5.3	5.8	5.3	5.8
Communications, advertising and publicity	2.4	2.4	2.0	2.0
Students' Union annual subvention	2.0	1.7	2.0	1.7
Other expenditure	1.6	6.2	2.6	6.0
	<u>172.3</u>	<u>171.0</u>	<u>168.7</u>	<u>166.4</u>

Professional fees and bought in services include auditors remuneration in respect of audit services for the Group of £96,508 to Ernst & Young LLP (2015: £92,775) and for the University of £57,440 (2015: £58,400). In respect of non-audit services (mainly SORP conversion and grant certification work) remuneration amounted to £63,600 (2015: £30,000) for the Group and University.

### 9 INTEREST AND OTHER FINANCE COSTS

	CONSOLIDATED		UNIVERSITY	
	2016 £m	2015 £m	2016 £m	2015 £m
Loan interest	0.3	0.8	0.3	0.8
Loan breakage costs	3.3	–	3.3	–
Finance lease interest	1.8	2.0	–	–
Net charge on pension schemes (note 27)	3.1	2.6	3.1	2.6
	<u>8.5</u>	<u>5.4</u>	<u>6.7</u>	<u>3.4</u>

### 10 ANALYSIS OF 2015-16 EXPENDITURE BY ACTIVITY

	CONSOLIDATED				
	Staff Costs £m	Other Operating Expenses £m	Depreciation and Amortisation £m	Interest and Other Finance Costs £m	Total £m
Academic schools	137.9	33.8	3.1	–	174.8
Academic services	17.6	17.6	1.3	–	36.5
Administration and central services	22.9	38.1	–	–	61.0
Premises	8.9	30.1	10.1	4.4	53.5
Residences, catering and conferences	5.2	13.1	1.5	1.0	20.8
Research grants and contracts	50.9	39.5	–	–	90.4
Other expenditure	13.9	0.1	2.3	3.1	19.4
Total per Statement of Comprehensive Income	<u>257.3</u>	<u>172.3</u>	<u>18.3</u>	<u>8.5</u>	<u>456.4</u>

Administration and central services and research grants and contracts include £21.3m (2015: £18.9m) and £2.7m (2015: £3.0m) respectively in respect of payments made for bursaries, prizes, scholarships or other similar awards.

## Notes to the Financial Statements (continued)

### 10 ANALYSIS OF 2015-16 EXPENDITURE BY ACTIVITY (continued)

	UNIVERSITY					Total £m
	Staff Costs £m	Other Operating Expenses £m	Depreciation and Amortisation £m	Interest and Other Finance Costs £m		
Academic schools	132.4	31.7	3.1	–		167.2
Academic services	17.7	17.5	1.3	–		36.5
Administration and central services	22.9	38.1	–	–		61.0
Premises	8.9	28.7	9.2	2.6		49.4
Residences, catering and conferences	5.2	13.1	1.5	1.0		20.8
Research grants and contracts	50.9	39.6	–	–		90.5
Other expenditure	13.9	–	2.3	3.1		19.3
Total per Statement of Comprehensive Income	<u>251.9</u>	<u>168.7</u>	<u>17.4</u>	<u>6.7</u>		<u>444.7</u>

Administration and central services and research grants and contracts include £21.3m (2015: £18.9m) and £2.7m (2015: £3.0m) respectively in respect of payments made for bursaries, prizes, scholarships or other similar awards.

### 11 TAXATION

	CONSOLIDATED		UNIVERSITY	
	2016 £m	2015 £m	2016 £m	2015 £m
Republic of Singapore corporation tax at 17% (2015: 17%)	0.2	0.1	–	–
Republic of Singapore withholding tax at 17% (2015: 17%)	0.1	0.1	0.1	0.1
United Kingdom corporation tax at average rate of 21% (2015: 21%)	0.2	3.7	0.2	3.7
	<u>0.5</u>	<u>3.9</u>	<u>0.3</u>	<u>3.8</u>

United Kingdom corporation tax arises wholly from the research development expenditure credit scheme.

### 12 FIXED ASSETS

#### CONSOLIDATED

	Land and Buildings			Assets under Construction £m	Equipment £m	Total £m
	Freehold £m	Leasehold Long £m	Short £m			
<b>Cost</b>						
Balance at 1 August 2015	258.1	124.4	19.5	25.2	76.9	504.1
Additions	0.7	–	–	31.1	7.9	39.7
Foreign exchange retranslation	–	2.4	–	–	–	2.4
Transfers from assets under construction	7.6	17.4	1.3	(26.3)	–	–
Disposals	(0.4)	–	–	–	(0.8)	(1.2)
Balance at 31 July 2016	<u>266.0</u>	<u>144.2</u>	<u>20.8</u>	<u>30.0</u>	<u>84.0</u>	<u>545.0</u>
<b>Depreciation</b>						
Balance at 1 August 2015	69.3	55.5	6.5	–	63.3	194.6
Charge for year	6.0	4.3	1.2	–	6.7	18.2
Foreign exchange retranslation	–	0.1	–	–	–	0.1
Eliminated on disposals	(0.4)	–	–	–	(0.8)	(1.2)
Balance at 31 July 2016	<u>74.9</u>	<u>59.9</u>	<u>7.7</u>	<u>–</u>	<u>69.2</u>	<u>211.7</u>
<b>Net Book Value</b>						
At 31 July 2016	<u>191.1</u>	<u>84.3</u>	<u>13.1</u>	<u>30.0</u>	<u>14.8</u>	<u>333.3</u>
At 1 August 2015	<u>188.8</u>	<u>68.9</u>	<u>13.0</u>	<u>25.2</u>	<u>13.6</u>	<u>309.5</u>

At 31 July 2016, freehold land and buildings included £76.4m (2015 £76.4m) in respect of freehold land, which is not depreciated.

The net book value of assets held under finance leases at 31 July 2016 is £21.2m (2015 £19.6m) and the related depreciation charge for the year was £0.8m (2015 £0.8m).

# Notes to the Financial Statements (continued)

## 12 FIXED ASSETS (continued)

### UNIVERSITY

	Land and Buildings			Assets under Construction £m	Equipment £m	Total £m
	Freehold £m	Leasehold Long £m	Short £m			
<b>Cost</b>						
Balance at 1 August 2015	258.0	103.2	19.5	25.2	75.8	481.7
Additions	0.7	–	–	31.1	7.9	39.7
Transfers from assets under construction	7.6	17.4	1.3	(26.3)	–	–
Disposals	(0.4)	–	–	–	(0.8)	(1.2)
Balance at 31 July 2016	<u>265.9</u>	<u>120.6</u>	<u>20.8</u>	<u>30.0</u>	<u>82.9</u>	<u>520.2</u>
<b>Depreciation</b>						
Balance at 1 August 2015	69.3	54.0	6.5	–	62.1	191.9
Charge for year	6.0	3.5	1.2	–	6.6	17.3
Eliminated on disposals	(0.4)	–	–	–	(0.8)	(1.2)
Balance at 31 July 2016	<u>74.9</u>	<u>57.5</u>	<u>7.7</u>	<u>–</u>	<u>67.9</u>	<u>208.0</u>
<b>Net Book Value</b>						
At 31 July 2016	<u>191.0</u>	<u>63.1</u>	<u>13.1</u>	<u>30.0</u>	<u>15.0</u>	<u>312.2</u>
At 1 August 2015	<u>188.7</u>	<u>49.2</u>	<u>13.0</u>	<u>25.2</u>	<u>13.7</u>	<u>289.8</u>

The University holds a number of collections, exhibits and artefacts, most of which have been donated or bequeathed to the University. These assets are not considered Heritage Assets as defined in the SORP and therefore have no value attributed to them in the financial statements.

## 13 INTANGIBLE ASSETS

### CONSOLIDATED AND UNIVERSITY

	2016 £m	2015 £m
<b>Cost</b>		
Balance at 1 August	0.4	–
Additions	–	0.4
Balance at 31 July	<u>0.4</u>	<u>0.4</u>
<b>Amortisation</b>		
Balance at 1 August	0.1	–
Charge for year	0.1	0.1
Balance at 31 July	<u>0.2</u>	<u>0.1</u>
<b>Net Book Value</b>	<u>0.2</u>	<u>0.3</u>

Intangible assets represent costs incurred for open access to a suite of cloud-based software packages.

## Notes to the Financial Statements (continued)

### 14 NON-CURRENT INVESTMENTS

	CONSOLIDATED		UNIVERSITY	
	2016 £m	2015 £m	2016 £m	2015 £m
Shares in subsidiary undertakings at cost less amounts written off	–	–	3.7	3.7
Other investments other than loans				
At cost 1 August	0.1	0.1	16.1	13.9
Additions Newcastle Science Central LLP	–	–	0.1	1.5
Other movements in year	–	–	(0.7)	0.7
At cost 31 July	0.1	0.1	15.5	16.1
Fixed interest stock and equities relating to endowments	61.1	61.3	61.1	61.3
Total fixed asset investments	61.2	61.4	80.3	81.1

#### Shares In Subsidiary Undertakings

Details of the companies, all registered in England and Wales (unless otherwise stated), in which Newcastle University holds an interest are as follows:

Name of Company	Percentage Holding of Ordinary Shares %	Nature of Business
NUMed Malaysia sdn bhd	100	A company incorporated in Malaysia for the provision of tertiary courses focusing on medical education.
NUInternational Singapore pte Limited	100	A company incorporated in Singapore for collaborative teaching and research.
Newcastle University Holdings Limited	100	Operates as a holding company only.
Newcastle University Ventures Limited	100	Provides support for the commercial development of research and consultancy.
University of Newcastle upon Tyne Supply Company Limited	100	Leases assets to the University.
Newcastle University Pension Trustee (1971) Limited	100	Provides a corporate trusteeship for the University Retirement Benefits Plan.
Newcastle ISC Limited	100	Acts as a holding company for the joint ventures INTO Newcastle University LLP and INTO Newcastle University London LLP.
Newcastle University Enterprises Limited (*)	100	This company is dormant.
NUINTO Limited	51	Provides the teaching of English language skills.

(\*) For the year ended 31 July 2016 Newcastle University Enterprises Limited (CRN:06331269) was exempt from the requirement to prepare individual accounts by virtue of section 394A of the Companies Act 2006 relating to dormant subsidiaries.

#### University membership in companies limited by guarantee:

The Russell Group  
Newcastle Science Company Limited  
Universities UK  
North East Universities Purchasing Consortium (NEUPC)  
Centre for Innovation Excellence in Livestock  
Centre for Crop Health and Protection  
The Academic Health Science Network for the North East and North Cumbria

#### Other Investments Other Than Loans

	Percentage of voting rights %	CONSOLIDATED		UNIVERSITY	
		2016 £m	2015 £m	2016 £m	2015 £m
CVCP Properties PLC	1.3	0.1	0.1	0.1	0.1
North East Seed Capital Fund LP	11.94	–	–	–	–
North East Seed Capital Fund Two LP	4.50	–	–	–	–
		0.1	0.1	0.1	0.1

The University has direct minor shareholdings in a number of other companies, including spin outs, which are not material to these financial statements.

Shares in associated undertakings and other investments held by subsidiary companies are disclosed in the financial statements of those companies.

## Notes to the Financial Statements (continued)

### 15 INVESTMENT IN JOINT VENTURES

INTO Newcastle University LLP is a joint venture between the University and INTO University Partnerships Limited. A 50% share of the LLP's net assets and liabilities is included in the University's Consolidated Balance Sheet and 50% of its operating profit or loss is reported in the University's Consolidated Statement of Comprehensive Income. INTO Newcastle University LLP's principal activity is the provision of pre-university education and residential accommodation for international students. At the year end an amount of £480 (2015: Creditor £4,075) was due from INTO Newcastle University LLP to the University.

Newcastle Science Central LLP is a joint venture between the University and Newcastle City Council. The principal activity of the joint venture is the sale and lease of land for the development of the Science Central site in Newcastle. This land was transferred into the partnership on 31 January 2013. A 37% share of the LLP's losses to date is reported in the University's Consolidated Statement of Comprehensive Income and the University's interest in the net assets and liabilities of the LLP is included in the University's Consolidated Balance Sheet. At the year end an amount of £483,500 (2015: nil) was due from Newcastle Science Central LLP to the University.

INTO Newcastle University London LLP is a joint venture between the University and INTO University Partnerships Limited. A 50% share of the LLP's net assets and liabilities is included in the University's Consolidated Balance Sheet and 50% of its operating profit or loss is reported in the University's Consolidated Statement of Comprehensive Income. INTO Newcastle University London LLP's principal activity is the provision of education and residential accommodation for students. At the year end an amount of £3,242,689 (2015: £123,547) was due from INTO Newcastle University London LLP to the University.

	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
<b>Share of income:</b>		
INTO Newcastle University LLP	11.3	12.3
INTO Newcastle University London LLP	1.0	–
Newcastle Science Central LLP	–	–
	<u>12.3</u>	<u>12.3</u>
<b>Share of operating (deficit) / surplus:</b>		
INTO Newcastle University LLP	1.4	3.0
INTO Newcastle University London LLP	(2.5)	(1.4)
Newcastle Science Central LLP	(0.9)	(0.1)
	<u>(2.0)</u>	<u>1.5</u>
<b>Share of gross assets:</b>		
INTO Newcastle University LLP	8.0	10.1
INTO Newcastle University London LLP	1.4	0.5
Newcastle Science Central LLP	15.4	15.3
	<u>24.8</u>	<u>25.9</u>
<b>Share of gross liabilities:</b>		
INTO Newcastle University LLP	(7.2)	(8.0)
INTO Newcastle University London LLP	(4.6)	(1.1)
Newcastle Science Central LLP	(1.4)	(0.5)
	<u>(13.2)</u>	<u>(9.6)</u>
<b>Share of net assets / (liabilities):</b>		
INTO Newcastle University LLP	0.8	2.1
INTO Newcastle University London LLP	(3.2)	(0.6)
Newcastle Science Central LLP	14.0	14.8
	<u>11.6</u>	<u>16.3</u>

## Notes to the Financial Statements (continued)

### 16 INVESTMENT IN ASSOCIATE

The University has a 24% holding in Tyne Subsea Limited, whose principal activity is the creation of a Centre of Excellence for Hyperbaric Testing in the Newcastle area. This holding has been treated as an associated undertaking, a 24% share of the company's losses to date is reported in the University's Consolidated Statement of Comprehensive Income and a 24% share of the company's net assets is shown in the University's Consolidated Balance Sheet.

At the year end an amount of £500,000 (2015: £500,000) was due from Tyne Subsea Limited to the University.

	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
Share of operating deficit	(0.1)	(0.1)
Share of gross assets	1.8	2.1
Share of gross liabilities	(1.6)	(1.9)
Share of net assets	<u>0.2</u>	<u>0.2</u>

### 17 TRADE AND OTHER RECEIVABLES

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Research grants receivables	14.0	14.1	14.0	14.1
Other trade receivables	18.0	19.5	17.7	19.3
Amounts owed by subsidiary undertakings	–	–	7.1	2.6
Prepayments and accrued income	21.9	26.4	19.4	24.4
Other debtors	4.3	1.8	0.8	1.1
	<u>58.2</u>	<u>61.8</u>	<u>59.0</u>	<u>61.5</u>

Contained within amounts owed by subsidiary undertakings is an amount of £500,000 (2015: £500,000) due from NUMed Malaysia which is repayable after more than one year.

Contained within consolidated other debtors is an amount of £500,000 (2015: £500,000) due from Tyne Subsea Limited which is repayable after more than one year.

### 18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Fixed-term loans	–	1.0	–	1.0
Obligations under finance leases	1.9	1.5	–	–
Research collaborator creditors	9.3	9.9	9.3	9.9
Other creditors	7.2	6.9	7.2	6.9
Social security and other taxation payable	6.8	5.6	6.6	5.6
Accruals and deferred income	77.3	81.1	76.1	80.0
	<u>102.5</u>	<u>106.0</u>	<u>99.2</u>	<u>103.4</u>

#### Deferred income

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

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Research grants received on account	33.9	37.2	33.9	37.2
Tuition fees and education contracts	3.0	2.7	2.9	2.7
Funding body grants	0.6	1.1	0.6	1.1
Other income	7.2	6.9	7.2	6.9
Donations	0.1	0.1	0.1	0.1
	<u>44.8</u>	<u>48.0</u>	<u>44.7</u>	<u>48.0</u>

## Notes to the Financial Statements (continued)

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	CONSOLIDATED		UNIVERSITY	
	2016 £m	2015 £m	2016 £m	2015 £m
Fixed-term, unsecured loans repayable by 2046	100.0	12.8	100.0	12.8
Accruals and deferred income	17.8	4.3	17.8	4.3
Obligations under finance leases	23.4	20.8	–	–
	<u>141.2</u>	<u>37.9</u>	<u>117.8</u>	<u>17.1</u>

	Effective Interest Rate %	CONSOLIDATED AND UNIVERSITY	
		2016 £m	2015 £m
Fixed term, unsecured loans are repayable in accordance with the following profile:			
Student residences loan due after one year but not more than five years	5.98	–	2.7
Academic buildings loan due after one year but not more than five years	5.67	–	1.2
		<u>–</u>	<u>3.9</u>
Infrastructure and refurbishment loan due after more than five years	1.87	100.0	–
Student residences loan due after more than five years	5.98	–	6.3
Academic buildings loan due after more than five years	5.67	–	2.6
		<u>100.0</u>	<u>12.8</u>

During the year the University redeemed the student residences and academic buildings loans and incurred an early repayment penalty of £3,254,000 which has been charged to the Statement of Comprehensive Income. In addition, the University borrowed £100,000,000 from the European Investment Bank for the purposes of financing the new infrastructure and Armstrong Building refurbishment projects.

20 PENSION PROVISIONS	CONSOLIDATED AND UNIVERSITY		
	Obligations to fund deficit on USS Pension £m	RBP defined benefit obligation (note 27) £m	Total pension provisions £m
At 1 August 2015	44.7	69.0	113.7
Increase in staff costs	3.4	4.4	7.8
Pension finance interest charge	0.8	2.3	3.1
Actuarial loss	–	12.7	12.7
At 31 July 2016	<u>48.9</u>	<u>88.4</u>	<u>137.3</u>

### USS deficit

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. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.



# Notes to the Financial Statements (continued)

## 21 ENDOWMENT RESERVES

### CONSOLIDATED AND UNIVERSITY

	Unrestricted Permanent £m	Restricted Permanent £m	Total Permanent £m	Restricted Expendable £m	2016 Total £m	2015 Total £m
At 1 August						
Capital	2.7	16.5	19.2	11.2	30.4	29.9
Unapplied return	3.1	20.3	23.4	8.2	31.6	27.7
	<u>5.8</u>	<u>36.8</u>	<u>42.6</u>	<u>19.4</u>	<u>62.0</u>	<u>57.6</u>
New endowments	–	0.5	0.5	1.7	2.2	0.5
Transfer out from expendable endowments	–	(0.4)	(0.4)	(0.7)	(1.1)	(0.1)
Increase in market value of investments	0.2	1.3	1.5	0.7	2.2	5.5
	<u>0.2</u>	<u>1.4</u>	<u>1.6</u>	<u>1.7</u>	<u>3.3</u>	<u>5.9</u>
Income	0.1	0.8	0.9	0.4	1.3	1.3
Expenditure	(0.2)	(1.7)	(1.9)	(1.3)	(3.2)	(2.8)
	<u>(0.1)</u>	<u>(0.9)</u>	<u>(1.0)</u>	<u>(0.9)</u>	<u>(1.9)</u>	<u>(1.5)</u>
At 31 July	<u>5.9</u>	<u>37.3</u>	<u>43.2</u>	<u>20.2</u>	<u>63.4</u>	<u>62.0</u>
Represented by:						
Capital	2.7	17.0	19.7	12.9	32.6	30.4
Unapplied return	3.2	20.3	23.5	7.3	30.8	31.6
	<u>5.9</u>	<u>37.3</u>	<u>43.2</u>	<u>20.2</u>	<u>63.4</u>	<u>62.0</u>
<b>Analysis by type of purpose</b>						
Regional chairs benefaction	–	19.5	19.5	–	19.5	19.3
Chairs, fellowships, lectureships	–	4.8	4.8	2.1	6.9	6.9
Research support	–	0.8	0.8	3.9	4.7	4.8
Lectures	–	0.6	0.6	0.7	1.3	1.5
Scholarships and bursaries	–	6.7	6.7	9.8	16.5	16.2
Prizes and travel awards	–	2.6	2.6	1.7	4.3	3.0
General	5.9	2.3	8.2	2.0	10.2	10.3
	<u>5.9</u>	<u>37.3</u>	<u>43.2</u>	<u>20.2</u>	<u>63.4</u>	<u>62.0</u>

The regional chairs benefaction is an endowment which funds medical school posts.

#### Analysis by asset

Fixed interest stock and equities	61.1	61.3
Bank balances	4.1	1.2
Other current balances	(1.8)	(0.5)
	<u>63.4</u>	<u>62.0</u>

# Notes to the Financial Statements (continued)

## 22 RESTRICTED RESERVES

	Unspent HEFCE CIF and other capital grants	Grants and donations	2016 Total £m	2015 Total £m
	£m	£m	£m	£m
Reserves with restrictions are as follows:				
Balances at 1 August 2015	2.4	1.4	3.8	7.9
New grants	8.6	0.2	8.8	11.8
New donations	3.7	1.0	4.7	3.1
Capital grants utilised	(11.9)	–	(11.9)	(16.3)
Expenditure	–	(1.7)	(1.7)	(2.7)
Total restricted comprehensive income for the year	<u>0.4</u>	<u>(0.5)</u>	<u>(0.1)</u>	<u>(4.1)</u>
At 31 July 2016	<u>2.8</u>	<u>0.9</u>	<u>3.7</u>	<u>3.8</u>

## 23 CASH AND CASH EQUIVALENTS

	2016 £m	2015 £m
Cash at bank and in hand	53.0	13.6
Endowment bank balances	4.1	1.2
Investments maturing less than three months after placement	36.4	13.7
	<u>93.5</u>	<u>28.5</u>

## 24 CAPITAL COMMITMENTS

	2016 £m	2015 £m
Commitments contracted at 31 July	<u>64.6</u>	<u>15.6</u>

## 25 CONTINGENT LIABILITIES

The University has four nomination agreements relating to student accommodation. The expiry dates and nominated rooms are: 2018–19 257 beds; 2021–22 257 beds; 2021–22 329 beds; 2028–29 90 beds. It is impracticable to fully estimate the financial effect of these outflows but it is considered to be zero as they should be reimbursed by the receipt of student residential income.

## 26 LEASE OBLIGATIONS

	2016 £m	2015 £m
Amounts due under finance leases:		
Amounts payable		
Within one year	1.9	1.5
In two to five years	8.2	7.2
In more than five years	54.8	50.8
	<u>64.9</u>	<u>59.5</u>
Less: finance charges allocated to future periods	<u>(39.6)</u>	<u>(37.2)</u>
	<u>25.3</u>	<u>22.3</u>
Annual rentals under operating lease commitments are as follows:	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
Leases expiring:		
In two to five years	2.0	0.8
Over five years	5.0	5.6
	<u>7.0</u>	<u>6.4</u>

## Notes to the Financial Statements (continued)

### 27 PENSION ARRANGEMENTS

The University participates in two main pension schemes, the Retirements Benefits Plan (1971) (RBP) and Universities Superannuation Scheme Limited (USS).

The University also has a small number of staff in the National Health Service Scheme (NHSS), the total cost of which was £2.1m (2015: £2.1m). This includes £0.3m (2015: £0.3m) outstanding contributions at the balance sheet date.

The total pension cost for the University was:

	<b>2016</b>	<b>2015</b>
	<b>£m</b>	<b>£m</b>
Contributions to USS	31.1	28.6
Contributions to RBP	6.2	5.9
Contributions to NHSS	2.1	2.1
Other pensions cost (note 7)	39.4	36.6
Movement on USS provision	3.4	21.4
Pension service cost adjustment	4.4	2.3
Pensions costs included in staff costs	47.2	60.3
Pension finance interest (note 9)	3.1	2.6
Pension cost including pension finance interest	50.3	62.9
Actuarial loss relating to the RBP scheme	12.7	19.7
Total pension cost	63.0	82.6

#### RBP

RBP is an Exempt Approved Scheme under the Finance Act 1970 and provides benefits based on final pensionable salary; it is established under irrevocable trusts and its assets are kept strictly separate from those of the University. It is a defined benefit scheme. The total pension cost (excluding interest) to the University was £10.6m (2015: £8.2m). The contribution payable by the University was 13.25% of pensionable salaries. There were no outstanding contributions at the balance sheet date.

The expected employer contribution to the plan during the next accounting year is £6.4m.

A full actuarial valuation was carried out as at 1 August 2013 and updated to 31 July 2016 by a qualified independent actuary. The major assumptions used by the actuary were:

	<b>31 July 2016</b>	<b>31 July 2015</b>
Discount rate at year end	2.35%	3.55%
Future salary increases	3.10%	3.65%
RPI inflation	2.60%	3.15%
CPI inflation	1.50%	2.05%
Life expectancy of current pensioners (from age 65)	24.2	24.1
Life expectancy of future pensioners (from age 65)	25.7	25.6

# Notes to the Financial Statements (continued)

## 27 PENSION ARRANGEMENTS (continued)

The assets in the scheme were:

	Value at 31 July 2016 £m	Asset Allocation %	Value at 31 July 2015 £m	Asset Allocation %
Equities	84.9	38	82.2	42
Bonds	70.7	31	72.7	37
Property	9.9	4	13.8	7
Absolute return fund	47.6	21	22.2	11
Cash	14.0	6	6.5	3
Fair value of assets	227.1		197.4	
Present value of obligations	(315.5)		(266.4)	
Funded status	(88.4)		(69.0)	
Net pension liability	(88.4)		(69.0)	

### Analysis of the amount shown in the Balance Sheet

	2016 £m	2015 £m
Present value of obligations	315.5	266.4
Fair value of plan assets	227.1	197.4
Funded status	(88.4)	(69.0)

### Analysis of the amount charged to operating surplus

	2016 £m	2015 £m
<b>Operating cost</b>		
Current service cost	9.4	7.3
Administration costs	1.2	0.9
<b>Financing cost</b>		
Interest on net defined benefit liability	2.3	1.9
<b>Total operating charge</b>	12.9	10.1

### Amounts recognised in other comprehensive income (OCI)

	2016 £m	2015 £m
Asset gains arising during the year	26.9	11.6
Liability losses arising during the year	(39.6)	(31.3)
Actuarial loss recognised in OCI	(12.7)	(19.7)

# Notes to the Financial Statements (continued)

## 27 PENSION ARRANGEMENTS (continued)

<b>Change in defined benefit obligation</b>	<b>2016 £m</b>	<b>2015 £m</b>
Opening defined benefit obligation	266.4	226.7
Service cost	9.4	7.3
Interest cost	9.4	9.5
Actuarial losses	39.6	31.3
Contribution by members	0.3	0.3
Benefits paid	(9.6)	(8.7)
<b>Closing defined benefit obligation</b>	<b>315.5</b>	<b>266.4</b>

<b>Change in fair value of plan assets</b>	<b>2016 £m</b>	<b>2015 £m</b>
Opening fair value of plan assets	197.4	181.6
Gains on assets	26.9	11.6
Interest income on plan assets	7.1	7.6
Contributions by employer	6.2	5.9
Contributions by employees	0.3	0.3
Administration costs incurred	(1.2)	(0.9)
Benefits paid	(9.6)	(8.7)
<b>Closing fair value of plan assets</b>	<b>227.1</b>	<b>197.4</b>

### USS

USS is a defined benefit scheme and until 31 March 2016 was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and, therefore, as required by Section 28 of FRS 102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period. Since the University has entered into an agreement ('the Recovery Plan') that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the Statement of Comprehensive Income.

The total pension contribution cost for the University was £31.1m (2015: £28.6m). There were no outstanding contributions at the balance sheet date. The contribution rate payable by the University was 18% from 1 April 2016 and 16% prior to that (2015: 16%) of pensionable salaries. The University has used the deficit modeller developed by the British Universities Finance Directors' Group (BUFDG) and USS to calculate the provision to be made for the future obligation to make deficit recovery payments using a discount rate of 1.8% (2015: 3.0%). The liability is £48.9m (2015: £44.7m).

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

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

## Notes to the Financial Statements (continued)

### 27 PENSION ARRANGEMENTS (continued)

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

	<b>2016</b>	<b>2015</b>
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Price inflation (CPI)	2.2%	2.2%

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

Male members' mortality	S1NA ('light') YoB tables – no age rating
Female members' mortality	S1NA ('light') YoB tables- rated down 1 year

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

	<b>2016</b>	<b>2015</b>
Males currently aged 65 years	24.3	24.2
Females currently aged 65 years	26.5	26.4
Males currently aged 45 years	26.4	26.3
Females currently aged 45 years	28.8	28.7

#### **Scheme Summary**

	<b>2016</b>	<b>2015</b>
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

# Notes to the Financial Statements (continued)

## 28. RELATED PARTIES

Due to the nature of the University's operations and the composition of its Council (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council or Executive Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. Details of transactions, where material, are shown below.

	<b>(Income)/ Expenditure</b>		<b>Debtor/(Creditor) balance</b>		<b>Nature of transaction/ relationship</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
<b>Joint ventures, associates and spin outs</b>					
INTO Newcastle University LLP	–	0.1	–	–	Net fees for student accommodation and other services.
INTO Newcastle University London LLP	1.0	–	3.2	–	Start-up loan.
Newcastle Science Company Limited	0.2	0.2	0.1	–	Partner funding.
Newcastle Science Central LLP	0.6	(0.1)	0.5	0.1	Recharges for infrastructure works.
Five Quarter Energy Limited	–	–	–	0.2	Loan to spin out.
Demuris Limited	0.1	0.1	0.2	0.2	Loan to spin out and trading.
Alcyomics Limited	0.1	0.1	0.1	0.1	Loan to spin out and trading.
INEX Microtechnology Limited	(0.1)	–	0.2	0.2	Loan to spin out.
Royenface Limited	–	–	0.1	0.1	Loan to spin out.
<b>Other organisations</b>					
Newcastle University Students' Union	1.5	1.4	–	0.1	Students' Union subvention and fees for other services.
The University of Newcastle upon Tyne Development Trust	(1.9)	(1.8)	–	–	Endowment income distribution.
The Newcastle upon Tyne Hospitals NHS Trust	(11.0)	(9.7)	2.9	2.3	University representation on Trust Board. NHS/academic staff recharges.
International Centre for Life	2.7	2.7	–	–	University representation on Board and rentals payable.
<b>Council and Executive Board members</b>					
Mrs H Mottram, Northumbrian Water Chief Executive	0.7	0.7	–	–	Water rates.
Professor C Day, Medical Research Council member	(12.3)	(9.0)	–	0.1	Medical Research Council research funding.
Professor C Brink, Russell Group Board Director;	0.1	0.1	–	–	Russell Group subscription.
Universities UK	(0.2)	(1.0)	–	–	Science Without Borders.
JISC	1.0	–	–	–	Subscription fees.
Mr M Davison, non-executive director	0.2	0.3	–	–	City Hospitals Sunderland.
Mr R Dale, EPSRC Audit and Risk Assurance Committee member	(14.3)	(13.1)	0.1	–	EPSRC research funding.

Council members did not receive any remuneration in respect of their service to Council during the year. The amount paid to members of Council in respect of expenses during the year amounted to £6,288 (2015: £6,866).

The University does not have any connected institutions, as defined by the Charities Act 2011, Schedule 3, paragraph 28.

# Notes to the Financial Statements (continued)

## 29 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The University makes estimates and assumptions concerning future events. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### Pension Schemes

#### USS

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

The University has used the deficit modeller provided by the British Universities Finance Directors' Group (BUFDG) in order to calculate the liability. We have applied our own assumptions:

- future staff increases based on our five-year forecast with nil growth after that period
- salary inflation based on CPI plus 1% for the five-year forecast period with an annual 3% increase after that period
- discount rate 1.76%

In order to calculate the fair value of future contributions at the balance sheet date a discount rate needs to be applied. However, there is no single correct discount rate which should be adopted, as FRS 102 only requires that the discount rate should be based on the yield on 'high-quality corporate bonds' of a currency and duration 'consistent with the currency and estimated period of the future payments'. The model used to calculate the discount rates is the Mercer Yield Curve UK – Extended Dataset.

The single discount rate is the rate which, if all contributions were discounted at that rate, would lead to the same present value as if each contribution was discounted at the appropriate spot rate based on the timing of that contribution. The single discount rate is sensitive to future salary increases and there is a range of rates from 1.71% with no salary growth to 1.78% with 5% salary growth. The University's salary growth is 3.57% and therefore the rate has been interpolated to be 1.76%.

#### RBP

Results under FRS 102 can change dramatically depending on market conditions. The defined benefit obligation is linked to yields on AA-rated corporate bonds, while a significant proportion of the assets of the plan are invested in equities. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension plan and thus to volatility in the net pension asset on the University's balance sheet and Other Comprehensive Income. To a lesser extent, this will also lead to volatility in the FRS 102 pension expense reported as part of staff costs.

The assumptions used by the actuary are included in note 27 to the financial statements.



# Notes to the Financial Statements (continued)

## 30 TRANSITION TO FRS 102 AND THE 2015 SORP

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

### FINANCIAL POSITION

	1 August 2014		31 July 2015	
	Consolidated £m	University £m	Consolidated £m	University £m
<b>Total reserves under 2007 SORP</b>	353.1	355.6	388.6	392.3
Revaluation of land	69.3	69.3	69.3	69.3
Accelerated depreciation from analysing building asset values into components	(49.9)	(49.9)	(51.8)	(51.8)
Change in accounting for USS	(22.6)	(22.6)	(44.7)	(44.7)
Change in accounting for deferred capital grants	–	–	(0.5)	(0.5)
Change in income recognition relating to performance conditions	8.5	8.5	3.5	3.5
Annual leave not yet taken	(8.4)	(8.4)	(8.8)	(8.8)
<b>Total effect of transition to FRS 102</b>	<u>(3.1)</u>	<u>(3.1)</u>	<u>(33.0)</u>	<u>(33.0)</u>
<b>Total reserves under 2015 SORP</b>	<u>350.0</u>	<u>352.5</u>	<u>355.6</u>	<u>359.3</u>

### FINANCIAL PERFORMANCE

	Year ended 31 July 2015	
	Consolidated £m	University £m
<b>Surplus for the year under 2007 SORP</b>	44.3	45.5
Accelerated depreciation from analysing building asset values into components	(1.9)	(1.9)
Change in accounting for USS	(22.1)	(22.1)
Change in accounting for deferred capital grants	8.8	8.8
Change in income recognition relating to performance conditions	(5.0)	(5.0)
Annual leave not yet taken	(0.4)	(0.4)
Change in accounting for local pension scheme	(4.3)	(4.3)
Change in accounting for endowment assets	5.9	5.9
Actuarial loss in respect of pension scheme	(19.7)	(19.7)
<b>Total effect of transition to FRS 102</b>	<u>(38.7)</u>	<u>(38.7)</u>
<b>Total comprehensive income for the year under 2015 SORP</b>	<u>5.6</u>	<u>6.8</u>

### CASH FLOWS

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short-term investments to cash and cash equivalents.

	At 1 August 2014 £m	Cash Flows £m	At 31 July 2015 £m
<b>Cash at bank and in hand under 2007 SORP</b>	16.3	(1.5)	14.8
Reclassification of short-term investments to cash and cash equivalents	28.1	(14.4)	13.7
<b>Cash and cash equivalents under 2015 SORP</b>	<u>44.4</u>	<u>(15.9)</u>	<u>28.5</u>

# Notes to the Financial Statements (continued)

## 30 TRANSITION TO FRS 102 AND THE 2015 SORP (continued)

	1 August 2014			31 July 2015		
	2007 SORP £m	Effect of transition to 2015 SORP £m	2015 SORP £m	2007 SORP £m	Effect of transition to 2015 SORP £m	2015 SORP £m
<b>CONSOLIDATED BALANCE SHEET</b>						
<b>NON-CURRENT ASSETS</b>						
Fixed assets	271.5	19.4	290.9	292.0	17.5	309.5
Intangible assets	–	–	–	0.3	–	0.3
Investments	0.1	56.6	56.7	0.1	61.3	61.4
Investment in joint ventures	14.9	–	14.9	16.3	–	16.3
Investment in associate	–	–	–	0.2	–	0.2
	<u>286.5</u>	<u>76.0</u>	<u>362.5</u>	<u>308.9</u>	<u>78.8</u>	<u>387.7</u>
<b>ENDOWMENT ASSETS</b>	<u>57.6</u>	<u>(57.6)</u>	<u>–</u>	<u>62.0</u>	<u>(62.0)</u>	<u>–</u>
<b>CURRENT ASSETS</b>						
Stocks in hand	0.1	–	0.1	0.1	–	0.1
Trade and other receivables	36.7	(0.5)	36.2	62.3	(0.5)	61.8
Short-term liquid deposits	153.1	(28.1)	125.0	148.8	(13.7)	135.1
Cash and cash equivalents	14.8	29.6	44.4	13.6	14.9	28.5
	<u>204.7</u>	<u>1.0</u>	<u>205.7</u>	<u>224.8</u>	<u>0.7</u>	<u>225.5</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<u>(110.2)</u>	<u>0.1</u>	<u>(110.1)</u>	<u>(100.2)</u>	<u>(5.8)</u>	<u>(106.0)</u>
<b>NET CURRENT ASSETS</b>	<u>94.5</u>	<u>1.1</u>	<u>95.6</u>	<u>124.6</u>	<u>(5.1)</u>	<u>119.5</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	438.6	19.5	458.1	495.5	11.7	507.2
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	(40.4)	–	(40.4)	(37.9)	–	(37.9)
<b>PENSION PROVISIONS</b>	(45.1)	(22.6)	(67.7)	(69.0)	(44.7)	(113.7)
<b>TOTAL NET ASSETS</b>	<u>353.1</u>	<u>(3.1)</u>	<u>350.0</u>	<u>388.6</u>	<u>(33.0)</u>	<u>355.6</u>
<b>DEFERRED CAPITAL GRANTS</b>	135.4	(135.4)	–	144.7	(144.7)	–
<b>RESTRICTED RESERVES</b>						
Income and expenditure reserve – endowment reserve	57.6	–	57.6	62.0	–	62.0
Income and expenditure reserve – restricted reserve	–	7.9	7.9	–	3.8	3.8
<b>UNRESTRICTED RESERVES</b>						
Income and expenditure reserve – unrestricted reserve	160.0	124.4	284.4	181.8	107.9	289.7
	<u>217.6</u>	<u>132.3</u>	<u>349.9</u>	<u>243.8</u>	<u>111.7</u>	<u>355.5</u>
<b>NON-CONTROLLING INTEREST</b>	0.1	–	0.1	0.1	–	0.1
<b>TOTAL RESERVES</b>	<u>353.1</u>	<u>(3.1)</u>	<u>350.0</u>	<u>388.6</u>	<u>(33.0)</u>	<u>355.6</u>

## Notes to the Financial Statements (continued)

### 30 TRANSITION TO FRS 102 AND THE 2015 SORP (continued)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2015	2007 SORP £m	Reclassification of gain on disposal of fixed assets* £m	STRGL items** £m	Effect of transition to 2015 SORP £m	2015 SORP £m
<b>INCOME</b>					
Tuition fees and education contracts	205.7				205.7
Funding body grants	70.4			2.3	72.7
Research grants and contracts	122.6			1.0	123.6
Other income (adjusted to exclude income from joint ventures)	83.3	(1.1)		(14.9)	67.3
Investment income	5.5			(2.4)	3.1
Donations and endowments	–		0.4	3.1	3.5
<b>Total income</b>	<u>487.5</u>	<u>(1.1)</u>	<u>0.4</u>	<u>(10.9)</u>	<u>475.9</u>
Less: share of income from joint ventures	(12.3)			12.3	–
<b>Net income</b>	<u>475.2</u>	<u>(1.1)</u>	<u>0.4</u>	<u>1.4</u>	<u>475.9</u>
<b>EXPENDITURE</b>					
Staff costs	240.4			21.8	262.2
Other operating expenses	171.0				171.0
Depreciation	14.1			2.1	16.2
Amortisation	0.1				0.1
Interest and other finance costs	2.8			2.6	5.4
<b>Total expenditure</b>	<u>428.4</u>	<u>–</u>	<u>–</u>	<u>26.5</u>	<u>454.9</u>
Gain on disposal of fixed assets	–	1.1		0.2	1.3
Gain on investments	–		5.5		5.5
Share of operating surplus in joint ventures	1.5				1.5
Share of operating deficit in associate	(0.1)				(0.1)
<b>Surplus before tax</b>	<u>48.2</u>	<u>–</u>	<u>5.9</u>	<u>(24.9)</u>	<u>29.2</u>
Taxation	(3.9)				(3.9)
<b>Surplus for the year</b>	<u>44.3</u>	<u>–</u>	<u>5.9</u>	<u>(24.9)</u>	<u>25.3</u>
Actuarial (loss) / gain in respect of pension schemes	–		(24.0)	4.3	(19.7)
<b>Total comprehensive income for the year</b>	<u>44.3</u>	<u>–</u>	<u>(18.1)</u>	<u>(20.6)</u>	<u>5.6</u>

\* The gain on disposal of fixed assets was included within other income in the 2014–15 financial statements. It has been reclassified in this column to the gain on disposal of fixed assets line.

\*\* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement of Comprehensive Income (SoCI).

# Excellence with a Purpose

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