



# financial statements

## 2002-03

University of Newcastle upon Tyne

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# Report of the Honorary Treasurer for the year ended 31 July 2003

It gives me pleasure to report that, in respect of the year ended 31 July 2003, the University earned a surplus of some £2.65 million. This is particularly gratifying as the surplus has been achieved in the first year of operation of our new academic management structures and after charging voluntary severance costs of some £4.4 million.

The growth in income, which I have referred to in my previous two reports, was again most encouraging. Total income rose by some 8 per cent, with the growth in student fee income being some 24 per cent, due largely to an outstanding performance in overseas student recruitment, however, income from research grants and contracts grew by only some 5 per cent, which was well below our expectations.

Costs continue to be controlled, with the benefit of the voluntary severance scheme, in which the University has invested some £12.4 million in the last two years, beginning to show through.

The University maintained its financial policy of allocating 3 per cent of total income for non-recurrent purposes.

The restructuring scheme, to which I referred last year, continues to progress, with the University allocating some £4 million in the year to the scheme, these funds coming from the headroom created by our financial policy in accordance with our business plan.

The University continued with its policy of investing large sums to improve the facilities on the campus. Two new research buildings are nearing completion, one dedicated to cancer research with the second being an environmental and e-science centre. These two buildings are partially funded by the Science Research Infrastructure Fund. In the case of the cancer research building the balance of the funds has been obtained by a most generous donation from the Leukaemia Research Fund and the

Foundation for Children with Leukaemia, supplemented by University resources. In the case of the environmental and e-science building we have agreed a long term loan facility of up to £8.5 million.

In addition a new multi-disciplinary research facility will be opened early in 2004, as will a new Continuous Professional Development centre.

The final phase in the refurbishment of Leazes Terrace, one of our main student residential facilities, was completed in the year at a cost of some £4.1 million. It will be necessary to expand our stock of residential places in the coming years and we are looking at a variety of ways of achieving this.

During the year the University agreed to invest some £5.5 million in extending and improving its indoor sports facilities. This expenditure will fall in the years 2003–04 and 2004–05.

The low rates of interest earned on our cash and short term deposits and the volatility of the stock market continue to give cause for concern, but so far our policies in respect of these matters have proved effective.

The University has exceeded the financial targets set down in its business plan in respect of the year ended 31 July 2003. To achieve a surplus in the first year of the new management arrangements and after charging substantial voluntary severance costs is most encouraging and gives confidence for the future. Competition in the markets in which we operate, however, is increasing and this, coupled with proposals for change in the way the government funds the University, constitute major challenges for the future.

**D K Wilson**  
Honorary Treasurer

# Independent Auditors' Report to the Council of the University of Newcastle upon Tyne for the year ended 31 July 2003

We have audited the financial statements which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of total recognized gains and losses and the related notes which have been prepared under the historical cost convention as modified by the revaluation of endowment asset investments and the accounting policies set out in the statement of accounting policies.

## **Respective Responsibilities of the Council and Auditors**

The Council's responsibility for preparing the financial statements is in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, applicable United Kingdom law and accounting standards as set out in the Statement of the Council's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the Council and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's Statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England. We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Treasurer's report and the corporate governance statement.

## **Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2003, and of the surplus of income over expenditure, recognized gains and losses and cashflows of the University and the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions;
- ii. in all material respects, income from the Higher Education Funding Council for England and the Teacher Training Agency grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;
- iii. in all material respects, income has been applied in accordance with the University's Statutes and where appropriate in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
**Newcastle upon Tyne**  
**27 October 2003**

# Responsibilities of the University's Council

In accordance with the University's Statutes, the 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.

The 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 a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, through its designated office holder, 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, the 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.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum 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.

The key elements of the University's system of internal financial 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 schools 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 formalized requirements for approval and control of expenditure;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Council and whose head provides Council with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The following statement is provided to enable readers of the Annual Report and Accounts of the University to obtain a better understanding of corporate governance and the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance.

The University is incorporated under Statute, namely 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 three separate bodies each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

- **Court** is a large, mainly formal body. It offers a means whereby the wider interests served by the University can be associated with the institution, and provides a public forum where members of Court can raise any matters about the University. The Court meets twice a year to receive reports from the Vice-Chancellor. It regulates the custody and use of the common seal of the University. Changes to the Statutes of the University may require the approval of the Court before they can be submitted to the Privy Council.

The majority of the members of the Court are from outside the University, representing the local community and other designated bodies with an interest in the work of the University. Membership also includes representatives of the staff of the University (both academic and non-academic);

- **Senate** is the academic authority of the University and draws its membership entirely 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; and

- **Council** is the executive 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.

Council normally meets six times each year. Over half of its members ('lay members') are drawn from outside the University, from whom the Chairman and Vice-Chairman are appointed. Members also include representatives of the staff of the University and the student body.

Much of the business which Council considers is initially routed through Committees/Boards of Council, including:

- **Strategy Board**, which meets monthly, identifies the University's key objectives. It develops, reviews and monitors the progress of the overall strategic plan to ensure the integration of the academic, physical and financial elements of the plan, in order to achieve the effective and efficient use of resources. In respect of Estates issues it is advised by the Estates Strategy Committee;
- **Executive Board**, which meets weekly, exercises an integrated overview of the University's policy and resources through the implementation of the strategic plan and operating statement. Through the Financial Monitoring and Budget Scrutiny Group it reviews the use of resources and the financial performance of all budgetary units;
- **Finance Committee**, which 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;
- **Nominations Committee** which makes recommendations to Council in respect of the appointment of lay members of Council, the offices of Chairman and Vice-Chairman of Council, Honorary Treasurer and members of the Committees of Council;
- **Remuneration Committee** which considers the remuneration and terms and conditions of senior members of staff; and
- **Audit Committee** which usually meets five times each year with the University's internal auditors (and, where relevant, external auditors) in attendance. The Audit Committee keeps under review the effectiveness of the internal control systems by considering detailed reports together with recommendations for improvement, management responses and implementation plans.

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 Financial Memorandum with the Higher Education Council for England (HEFCE). The system of internal control is based on 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. 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 of effectiveness.

The University's process for identifying, evaluating and managing its significant risks has been formally agreed by Council. Council is unable to state that the process has been in place for the whole year: time was needed to incorporate risk management into the corporate planning and decision making processes of

the University. The requirements for periodic monitoring of risks and controls and reporting to Executive Board, Audit Committee and Council were agreed and have been operational as from June 2003. However, during the year Council received periodic reports from the senior management team and Chairman of Audit Committee regarding risk and, more specifically, internal control. The senior management team and the Audit Committee also receive regular reports from internal audit which include recommendations for improvement.

The principal academic and administrative officer 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 Financial Memorandum between the University and the HEFCE, the Vice-Chancellor is the Designated Officer of the University; in that capacity he can be summoned to appear before the Public Accounts Committee of the House of Commons.

The University maintains a Register of Interests of members of the Council and Senior Officers.

# Statement of Principal Accounting Policies

In accordance with FRS 18 these accounting policies have been reviewed by Council and are considered appropriate to the University's activities.

## **1. Basis of Preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and in accordance with applicable accounting standards. They conform to the guidance published by the Higher Education Funding Council for England.

## **2. Basis of Accounting**

The financial statements are prepared under the historical cost convention as modified by the revaluation of endowment asset investments.

## **3. Basis of Consolidation**

The consolidated financial statements consolidate the results of the University and all subsidiary undertakings for the financial year to 31 July 2003. Details of the University's subsidiary undertakings are provided in note 11 to the accounts. The consolidated income and expenditure account includes the University's share of the profits or losses and tax of associated undertakings and the consolidated balance sheet includes the investment in associated undertakings at the University's share of their underlying net tangible assets. 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 the Union Society as it is a separate organization in which the University has no financial interest and no control or significant influence over its policy decisions.

The University Development Trust has not been consolidated as it has a separate Trustee Board which manages the funds independently of the University. The total assets of the University Development Trust at 31 March 2003 were £25.8 million on which its investment income for the year to that date was £1.1 million and in addition the Trust received donations to the value of £0.5 million.

## **4. Recognition of Income**

Income from specific endowments and donations and research grants and contracts is included to the extent of the related expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits and general endowment asset investments is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Funding Councils are recognized in the period in which they are receivable.

Non-recurrent grants from Funding Councils or other bodies receivable in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortized in line with depreciation over the life of the assets.

The University acts as an agent in the collection and payment of training bursaries from the Teacher Training Agency (TTA) and of Access Funds from the Higher Education Funding Council for England (HEFCE). Related payments received from the TTA and the HEFCE and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in notes 28 and 29 to the accounts.

## **5. 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 the income and expenditure account as incurred.

## **6. Foreign Currency Translation**

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 or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.



# Statement of Principal Accounting Policies (continued)

## 7. Leases

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Costs under operating leases are charged on a straight line basis over the lease term.

## 8. Tangible Fixed Assets

### a. Land and Buildings

Land and Buildings are stated at cost. Freehold land is not depreciated. Buildings are depreciated over their expected useful lives to the University of 50 years and leasehold land over the life of the lease.

Where buildings are acquired with the aid of specific grants they are capitalized and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalized as part of the cost of those assets.

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.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

### b. Equipment

Equipment costing less than £20,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalized.

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

General Equipment	– 4 years
Equipment acquired for specific research projects	– project life (generally 3 years)
Leased Equipment	– period of lease

Where equipment is acquired with the aid of specific grants it is capitalized and depreciated as above. The related grant is credited to a deferred capital grant account and released to the income and expenditure account over the expected useful life of the related equipment or the period of the grant in respect of specific research projects.

## 9. Investments

Fixed asset investments that are not listed on a recognized stock exchange are carried at historical cost less any provision for impairment in their value.

Endowment asset investments are included in the Balance Sheet at market value.

Current asset investments are included at the lower of cost and net realizable value.

## 10. Stocks

Stocks are valued at the lower of cost and net realizable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

## **11. Provisions**

Provisions are recognized when the institution has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## **12. Pension Schemes**

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) which is an Exempt Approved Scheme under the Finance Act 1970. The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). The funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

A small number of staff remain in other pension schemes.

The University has taken advantage of the transitional adoption arrangements allowed under FRS 17 and its effect is disclosed by way of a note to the accounts.

## **13. Taxation Status**

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(l) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 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 commercial organization.

## **14. Cash Flow and Liquid Resources**

Cash flows comprise increases or decreases in cash.

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.

No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

# Consolidated Income and Expenditure Account for the year ended 31 July 2003

	Note	2003 £000	2002 £000
<b>INCOME</b>			
Funding Council grants	1	80,911	76,385
Academic fees and support grants	2	38,929	31,256
Research grants and contracts	3	53,113	50,747
Other operating income	4	55,062	52,000
Endowment income and interest receivable	5	2,401	2,541
Total income		<u>230,416</u>	<u>212,929</u>
<b>EXPENDITURE</b>			
Staff costs	6	123,002	119,994
Staff severance scheme	16	4,376	7,998
Total staff costs		<u>127,378</u>	<u>127,992</u>
Other operating expenses	7	91,936	86,432
Depreciation	10	7,425	5,524
Interest payable	8	1,027	1,085
Total expenditure	9	<u>227,766</u>	<u>221,033</u>
Surplus / (deficit) on continuing operations after depreciation of fixed assets at valuation and before tax		2,650	(8,104)
Profit on disposal of investment		–	5,534
Surplus / (deficit) on continuing operations after depreciation of fixed assets at valuation and disposals of assets but before tax		2,650	(2,570)
Taxation		–	–
Surplus / (deficit) on continuing operations after depreciation of fixed assets at valuation, disposals of assets and tax	19	<u>2,650</u>	<u>(2,570)</u>

The income and expenditure account is in respect of continuing operations.

# Statement of Consolidated Total Recognized Gains and Losses for the year ended 31 July 2003

	Note	2003 £000	2002 £000
Surplus / (deficit) on continuing operations after depreciation of fixed assets at valuation, disposals of assets and tax		2,650	(2,570)
Appreciation / (depreciation) of endowment asset investments	18	569	(4,893)
Endowment income retained for year	18	(119)	(490)
Net additions of endowments	18	164	452
<b>TOTAL RECOGNIZED GAINS / (LOSSES) RELATING TO THE YEAR</b>		<u>3,264</u>	<u>(7,501)</u>
Reconciliation:			
Opening reserves and endowments		65,333	72,834
Total recognized gains / (losses) for the year		3,264	(7,501)
Closing reserves and endowments		<u>68,597</u>	<u>65,333</u>

There is no difference between reported and historical cost surpluses and deficits.

# Balance Sheets

as at 31 July 2003

	Note	CONSOLIDATED		UNIVERSITY	
		2003 £000	2002 £000	2003 £000	2002 £000
<b>FIXED ASSETS</b>					
Tangible assets	10	124,009	112,372	124,009	112,372
Investments	11	56	56	61	61
		<u>124,065</u>	<u>112,428</u>	<u>124,070</u>	<u>112,433</u>
<b>ENDOWMENT ASSET INVESTMENTS</b>	12	<u>25,537</u>	<u>24,923</u>	<u>25,537</u>	<u>24,923</u>
<b>CURRENT ASSETS</b>					
Stocks and stores in hand		93	89	84	81
Debtors	13	27,182	28,022	27,507	28,167
Investments		33,000	30,000	33,000	30,000
Cash at bank and in hand		3,039	4,041	2,051	3,452
		<u>63,314</u>	<u>62,152</u>	<u>62,642</u>	<u>61,700</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	<u>(42,796)</u>	<u>(42,334)</u>	<u>(42,285)</u>	<u>(41,904)</u>
<b>NET CURRENT ASSETS</b>		<u>20,518</u>	<u>19,818</u>	<u>20,357</u>	<u>19,796</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>170,120</u>	<u>157,169</u>	<u>169,964</u>	<u>157,152</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	<u>(14,810)</u>	<u>(15,630)</u>	<u>(14,810)</u>	<u>(15,630)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	<u>(2,587)</u>	<u>(5,031)</u>	<u>(2,587)</u>	<u>(5,031)</u>
<b>NET ASSETS</b>		<u>152,723</u>	<u>136,508</u>	<u>152,567</u>	<u>136,491</u>
<b>DEFERRED CAPITAL GRANTS</b>	17	84,126	71,175	84,126	71,175
<b>ENDOWMENTS</b>					
Specific	18	22,823	22,316	22,823	22,316
General	18	2,714	2,607	2,714	2,607
		<u>25,537</u>	<u>24,923</u>	<u>25,537</u>	<u>24,923</u>
<b>RESERVES</b>					
General Reserve	19	43,060	40,410	42,904	40,393
<b>TOTAL FUNDS</b>		<u>152,723</u>	<u>136,508</u>	<u>152,567</u>	<u>136,491</u>

The financial statements on pages 7-22 were approved by the Council on 27 October 2003 and signed on its behalf by:  
 C R EDWARDS, Vice-Chancellor  
 D K WILSON, Honorary Treasurer and Chairman of Finance Committee  
 H B FARNHILL, Bursar

# Consolidated Cash Flow Statement

## for the year ended 31 July 2003

	Note	2003 £000	2002 £000
NET CASH INFLOW / (OUTFLOW)			
FROM OPERATING ACTIVITIES	21	1,324	(4,158)
Returns on investments and servicing of finance	22	1,287	1,293
Capital expenditure and financial investment	23	<u>(357)</u>	<u>7,403</u>
Cash inflow before use of liquid resources and financing		2,254	4,538
Management of liquid resources			
- cash additions to short term deposits		(3,000)	(4,000)
Financing	24	<u>(877)</u>	<u>(884)</u>
Decrease in cash		<u>(1,623)</u>	<u>(346)</u>
RECONCILIATION OF NET CASH FLOW			
TO MOVEMENT IN NET FUNDS			
Decrease in cash in the period		(1,623)	(346)
Increase in short term deposits		3,000	4,000
Repayment of debt		<u>877</u>	<u>884</u>
Movement in net funds in period		2,254	4,538
Net funds at 1 August		<u>18,159</u>	<u>13,621</u>
Net funds at 31 July	25	<u>20,413</u>	<u>18,159</u>

# Notes to the Accounts

<b>1 FUNDING COUNCIL GRANTS</b>	2003	2002
	£000	£000
HEFCE recurrent grant	67,511	64,393
HEFCE specific grants	10,162	9,191
HEFCE deferred capital grants released in year		
Buildings	1,362	1,362
Equipment	503	106
TTA recurrent grant	1,267	1,283
TTA specific grant	106	50
	<u>80,911</u>	<u>76,385</u>
<b>2 ACADEMIC FEES AND SUPPORT GRANTS</b>	2003	2002
	£000	£000
Full-time students	15,722	15,061
Full-time students charged overseas fees	16,135	10,147
Part-time fees	1,210	878
Research training support grants	921	813
Short courses	4,941	4,357
	<u>38,929</u>	<u>31,256</u>
<b>3 RESEARCH GRANTS AND CONTRACTS</b>	2003	2002
	£000	£000
Research Councils	13,379	13,024
UK-based charities	14,733	13,154
European Commission	4,489	3,936
Other grants and contracts	20,512	20,633
	<u>53,113</u>	<u>50,747</u>
<b>4 OTHER OPERATING INCOME</b>	2003	2002
	£000	£000
Residences, catering and conferences	12,286	12,070
Other services rendered	15,386	13,035
Health authorities	11,686	11,204
Other income	15,704	15,691
	<u>55,062</u>	<u>52,000</u>
<b>5 ENDOWMENT INCOME AND INTEREST RECEIVABLE</b>	2003	2002
	£000	£000
Transferred from specific endowments	802	1,026
Income from general endowment asset investments	94	122
Other interest receivable	1,505	1,393
	<u>2,401</u>	<u>2,541</u>

# Notes to the Accounts (continued)

<b>6 STAFF</b>	2003 £000	2002 £000
STAFF COSTS		
Wages and salaries	103,561	101,199
Social security costs	8,185	7,893
Other pension costs	11,256	10,902
	<u>123,002</u>	<u>119,994</u>
Emoluments of the Vice-Chancellor	164	158

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS in relation to the Vice-Chancellor are paid at the same rates as for other academic staff and amounted to £22,771 (2002: £21,919).

Remuneration of higher paid staff, excluding employer's pension contributions (Clinical staff numbers in brackets):	2003 Number	2002 Number
£70,000-£79,999	39 (36)	26 (21)
£80,000-£89,999	18 (14)	14 (8)
£90,000-£99,999	28 (21)	28 (26)
£100,000-£109,999	7 (6)	2 (1)
£110,000-£119,999	8 (7)	10 (10)
£120,000-£129,999	5 (5)	4 (4)
£130,000-£139,999	6 (6)	7 (7)
£140,000-£149,999	3 (3)	1 (1)

During the year the University operated a voluntary severance scheme. The total costs of the scheme in the year were £4,376,000 (2002: £7,998,000)

<b>7 OTHER OPERATING EXPENSES</b>	2003 £000	2002 £000
Residences, catering and conference operating expenses	9,105	7,030
Consumables and laboratory expenditure	12,946	13,448
Books and periodicals	2,749	2,703
Heat, light, water and power	3,051	3,050
Repairs and general maintenance	10,413	9,791
Long-term maintenance	538	1,041
Grants to Union Society	799	744
Auditors' remuneration	54	53
Auditors' remuneration in respect of non-audit services	60	118
Other expenses	52,221	48,454
	<u>91,936</u>	<u>86,432</u>

<b>8 INTEREST PAYABLE</b>	2003 £000	2002 £000
On loans not wholly repayable within five years	1,024	1,078
On finance leases	3	7
	<u>1,027</u>	<u>1,085</u>

## 9 ANALYSIS OF 2002-03 EXPENDITURE BY ACTIVITY

	Staff Costs £000	Other Operating Expenses £000	Depreciation £000	Interest Payable £000	Total £000
Academic schools	68,090	16,086	1,516	–	85,692
Academic services	8,389	7,261	136	–	15,786
Administration and central services	12,537	9,544	61	–	22,142
Premises	5,280	15,769	1,990	4	23,043
Residences, catering and conferences	3,618	9,105	651	1,023	14,397
Research grants and contracts	22,979	20,036	2,507	–	45,522
Other expenditure	6,485	14,135	564	–	21,184
Total per income and expenditure account	<u>127,378</u>	<u>91,936</u>	<u>7,425</u>	<u>1,027</u>	<u>227,766</u>

The depreciation charge has been funded by:

Deferred capital grants released	5,771
General income	1,654
	<u>7,425</u>

## 10 TANGIBLE ASSETS

	CONSOLIDATED AND UNIVERSITY					Total £000
	Land and Buildings			Equipment £000	Leased Equipment £000	
	Freehold £000	Leasehold Long £000	Short £000			
<b>COST</b>						
Balance at 1 August 2002	71,550	51,733	3,135	20,570	1,401	148,389
Additions	3,809	8,721	–	6,532	–	19,062
Disposals	–	–	–	(1,024)	–	(1,024)
Balance at 31 July 2003	<u>75,359</u>	<u>60,454</u>	<u>3,135</u>	<u>26,078</u>	<u>1,401</u>	<u>166,427</u>
<b>DEPRECIATION</b>						
Balance at 1 August 2002	10,285	8,059	727	15,615	1,331	36,017
Charge for year	1,287	1,068	241	4,784	45	7,425
Eliminated on disposals	–	–	–	(1,024)	–	(1,024)
Balance at 31 July 2003	<u>11,572</u>	<u>9,127</u>	<u>968</u>	<u>19,375</u>	<u>1,376</u>	<u>42,418</u>
<b>NET BOOK VALUE</b>						
At 31 July 2003	<u>63,787</u>	<u>51,327</u>	<u>2,167</u>	<u>6,703</u>	<u>25</u>	<u>124,009</u>
At 1 August 2002	<u>61,265</u>	<u>43,674</u>	<u>2,408</u>	<u>4,955</u>	<u>70</u>	<u>112,372</u>
Financed by capital grant	25,886	40,050	–	1,405	–	67,341
Other	37,901	11,277	2,167	5,298	25	56,668
	<u>63,787</u>	<u>51,327</u>	<u>2,167</u>	<u>6,703</u>	<u>25</u>	<u>124,009</u>

The net book value of tangible fixed assets includes an amount of £25,000 (2002: £70,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £45,000 (2002: £45,000).



# Notes to the Accounts (continued)

## 11 FIXED ASSET INVESTMENTS

	CONSOLIDATED		UNIVERSITY	
	2003 £000	2002 £000	2003 £000	2002 £000
Shares in subsidiary undertakings				
At cost less amounts written off 1 August 2002	-	-	5	5
Additions during year	-	-	-	-
Provision for diminution in value	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At cost less amounts written off 31 July 2003	-	-	5	5
Participating interest at cost less amounts written off	-	-	-	-
Other investments other than loans at cost	56	56	56	56
	<hr/>	<hr/>	<hr/>	<hr/>
	56	56	61	61

### SHARES IN SUBSIDIARY UNDERTAKINGS

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

Newcastle University Holdings Limited is a wholly owned subsidiary of the University of Newcastle upon Tyne and operates as a holding company only.

The following subsidiaries are wholly owned subsidiaries of Newcastle University Holdings Limited

Close House Limited operates Close House Mansion, a conference and banqueting centre

Newcastle University Ventures Limited provides support for the commercial development of research and consultancy

University of Newcastle upon Tyne Supply Company Limited leases assets to the University

Newcastle University Pension Trustee (1971) Limited provides a corporate trusteeship for the University Retirement Benefits Plan

The Sowerby Centre for Health Informatics at Newcastle Limited, a company limited by guarantee, aims to improve the health of the public by promoting the development and use of informatic products and services.

The Bio-Technology Project Limited, a company limited by guarantee, was dissolved on the 9 September 2003.

### SHARES IN ASSOCIATED UNDERTAKINGS

Newcastle University Ventures Limited owns 30 per cent of the Bioscience Partnership Limited.

OTHER INVESTMENTS OTHER THAN LOANS	Percentage % of voting rights	CONSOLIDATED		UNIVERSITY	
		2003 £000	2002 £000	2003 £000	2002 £000
CVCP Properties PLC	1.3	56	56	56	56
		<hr/>	<hr/>	<hr/>	<hr/>
		56	56	56	56

## 12 ENDOWMENT ASSET INVESTMENTS

	CONSOLIDATED AND UNIVERSITY	
	2003 £000	2002 £000
At 1 August	24,923	29,854
Additions	6,926	13,391
Disposals	(6,745)	(13,650)
Net depreciation on disposals and on revaluation	433	(4,672)
	<hr/>	<hr/>
	25,537	24,923
Fixed interest stock and equities	25,617	24,867
Bank balances	4	625
Cash to be withdrawn	(84)	(569)
	<hr/>	<hr/>
	25,537	24,923
Fixed interest stock and equities at cost	28,047	29,777

**13 DEBTORS**

	CONSOLIDATED		UNIVERSITY	
	2003	2002	2003	2002
	£000	£000	£000	£000
Debtors	25,110	24,648	25,046	24,437
Amounts owed by subsidiary undertakings	-	-	411	359
Prepayments and accrued income	2,072	3,374	2,050	3,371
	<u>27,182</u>	<u>28,022</u>	<u>27,507</u>	<u>28,167</u>

**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	CONSOLIDATED		UNIVERSITY	
	2003	2002	2003	2002
	£000	£000	£000	£000
Fixed term loans and unsecured loans	820	820	820	820
Obligations under finance leases	-	57	-	57
Payments received on account	12,149	15,101	12,149	15,101
Creditors	5,550	5,704	5,461	5,608
Amounts owed to subsidiary undertakings	-	-	174	143
Social Security and other taxation payable	3,897	3,222	3,860	3,191
Accruals and deferred income	20,380	17,430	19,821	16,984
	<u>42,796</u>	<u>42,334</u>	<u>42,285</u>	<u>41,904</u>

**15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	CONSOLIDATED AND UNIVERSITY	
	2003	2002
	£000	£000
Fixed term loans secured on residential and other property repayable by 2024	14,810	15,630
	<u>14,810</u>	<u>15,630</u>

**16 PROVISIONS FOR LIABILITIES AND CHARGES**

	CONSOLIDATED AND UNIVERSITY	
	2003	2002
	£000	£000
At 1 August	5,031	-
Charged to income and expenditure account	4,376	7,998
Expenditure in the year	(6,820)	(2,967)
At 31 July	<u>2,587</u>	<u>5,031</u>

The provision relates to the voluntary severance scheme and will be substantially utilized by October 2004.

# Notes to the Accounts (continued)

## 17 DEFERRED CAPITAL GRANTS

	CONSOLIDATED AND UNIVERSITY		
	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1 August 2002			
Buildings	57,010	10,253	67,263
Equipment	318	3,594	3,912
	<u>57,328</u>	<u>13,847</u>	<u>71,175</u>
Amounts received / receivable			
Buildings	10,288	3,094	13,382
Equipment	1,590	3,750	5,340
	<u>11,878</u>	<u>6,844</u>	<u>18,722</u>
Released to income and expenditure account			
Buildings	1,362	409	1,771
Equipment	503	3,497	4,000
	<u>1,865</u>	<u>3,906</u>	<u>5,771</u>
At 31 July 2003			
Buildings	65,936	12,938	78,874
Equipment	1,405	3,847	5,252
	<u>67,341</u>	<u>16,785</u>	<u>84,126</u>

## 18 ENDOWMENTS

	CONSOLIDATED AND UNIVERSITY		
	Specific £000	General £000	Total £000
At 1 August 2002	22,316	2,607	24,923
Additions	105	59	164
Disposals	-	-	-
Appreciation of endowment asset investments	509	60	569
Income for Year	695	82	777
Transferred to income and expenditure account	(802)	(94)	(896)
At 31 July 2003	<u>22,823</u>	<u>2,714</u>	<u>25,537</u>

## 19 GENERAL RESERVES

	CONSOLIDATED	UNIVERSITY
	£000	£000
At 1 August 2002	40,410	40,393
Surplus on continuing operations	2,650	2,511
At 31 July 2003	<u>43,060</u>	<u>42,904</u>

## 20 LEASE OBLIGATIONS

	CONSOLIDATED AND UNIVERSITY	
	2003 £000	2002 £000
Obligations under finance leases fall due as follows:		
Within one year	-	57
	<u>-</u>	<u>57</u>

<b>21 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS / (DEFICIT) TO NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	2003	2002
	£000	£000
Surplus / (deficit) on continuing operations after depreciation of assets at cost and tax	2,650	(8,104)
Depreciation	7,425	5,524
Deferred capital grants released to income	(5,771)	(3,928)
Investment income	(2,401)	(2,541)
Interest payable	1,027	1,085
(Increase) / Decrease in stocks	(4)	1
(Decrease) / Increase in debtors	309	(4,225)
Increase in creditors	533	2,999
(Decrease) / Increase in provisions	(2,444)	5,031
Net cash inflow / (outflow) from operating activities	<u>1,324</u>	<u>(4,158)</u>

<b>22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	2003	2002
	£000	£000
Income from endowments	992	791
Other interest received	1,336	1,600
Interest paid	(1,041)	(1,098)
Net cash inflow from returns on investments and servicing of finance	<u>1,287</u>	<u>1,293</u>

<b>23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	2003	2002
	£000	£000
Purchase of tangible fixed assets	(19,062)	(11,077)
Payments to acquire endowment assets	(6,926)	(13,391)
Total fixed and endowment asset investments acquired	<u>(25,988)</u>	<u>(24,468)</u>
Receipts from sale of investment	–	5,534
Receipts from sale of endowment assets	6,745	13,650
Sale of tangible fixed assets	–	16
Deferred capital grants received	18,722	12,219
Endowments received	164	452
Net cash (outflow) / inflow from capital expenditure and financial investment	<u>(357)</u>	<u>7,403</u>

<b>24 ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR</b>	Finance Leases £000	Fixed Term Loans £000	Total £000
At 1 August 2001	<u>121</u>	<u>17,270</u>	<u>17,391</u>
Capital repayments	(64)	(820)	(884)
At 31 July 2002	<u>57</u>	<u>16,450</u>	<u>16,507</u>
Capital repayments	(57)	(820)	(877)
At 31 July 2003	<u>–</u>	<u>15,630</u>	<u>15,630</u>

# Notes to the Accounts (continued)

## 25 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2002 £000	Cash Flows £000	Other Changes £000	At 31 July 2003 £000
Cash at Bank and in Hand				
Endowment asset investments (note 12)	625	(621)	-	4
Others	4,041	(1,002)	-	3,039
	<u>4,666</u>	<u>(1,623)</u>	<u>-</u>	<u>3,043</u>
Short term investments	30,000	3,000	-	33,000
Debt due within one year	(820)	820	(820)	(820)
Debt due after one year	(15,630)	-	820	(14,810)
Finance leases	(57)	57	-	-
	<u>18,159</u>	<u>2,254</u>	<u>-</u>	<u>20,413</u>

## 26 CAPITAL COMMITMENTS

	CONSOLIDATED AND UNIVERSITY	
	2003 £000	2002 £000
Commitments contracted at 31 July	21,143	35,251
Authorized but not contracted at 31 July	43,946	2,140
	<u>65,089</u>	<u>37,391</u>

The above commitments are principally funded from external sources

## 27 CONTINGENT LIABILITY

During the year the University received corporation tax returns for the years ended 31 July 2002 and 31 July 2003. Due to the University's charitable status it is, in broad terms, exempt from corporation tax in relation to non trading income and capital gains applied for charitable purposes. If there are any activities which are not exempt the corporation tax payable will depend on the profits (if any) relating to these activities. The enquiry from the Inland Revenue may result in a retrospective tax charge on the University and may result in a corporation tax charge being payable in the future. However, until such time as the enquiry is concluded it is not possible to quantify any corporation tax liability.

## 28 ACCESS FUNDS

	2003 £000	2002 £000
Funding Council grants	627	597
Interest earned	2	2
	<u>629</u>	<u>599</u>
Disbursed to students	(531)	(472)
Balance unspent at 31 July	<u>98</u>	<u>127</u>

Funding Council grants are available solely for students: the University acts only as paying agent.

The grants and related disbursements are therefore excluded from the income and expenditure account.

## 29 TEACHER TRAINING AGENCY

	2003 £000	2002 £000
Training Bursaries	1,997	1,934
Disbursements	(1,926)	(1,831)
Balance unspent at 31 July	<u>71</u>	<u>103</u>

### 30 PENSION ARRANGEMENTS

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

#### USS

USS is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions are accounted for as if it were a defined contribution scheme. The cost recognized within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0 per cent per annum, salary increases would be 3.7 per cent per annum and pensions would increase by 2.7 per cent per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0 per cent per annum, including an additional investment return assumption of 1 per cent per annum, salary increases would be 3.7 per cent per annum and pensions would increase by 2.7 per cent per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £19,938 million and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101 per cent of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25 per cent of salaries but it was agreed that the institution contribution rate will be maintained at 14 per cent of salaries. To fund this reduction of 0.25 per cent for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

The total pension cost for the University was £8,867,000 (2002: £8,461,000). This includes £801,000 (2002: £746,000) outstanding contributions at the balance sheet date. The contribution rate payable by the University was 14 per cent of pensionable salaries.

#### 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 to the University was £1,641,000 (2002: £1,733,000). The contribution payable by the University was 9 per cent of pensionable salaries.

A full actuarial valuation was carried out as at 31 July 2001 and updated to 31 July 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	Year ended 31 July 2003	Year ended 31 July 2002
Rate of increase in salaries	3.6%	3.4%
Rate of increase of pensions in payment	2.6%	2.4%
Discount rate	5.5%	6.0%
Inflation assumption	2.6%	2.4%

The assets in the scheme and the expected rate of return were:

	Value at 31 July 2003 £000	Long-term expected return %	Value at 31 July 2002 £000	Long-term expected return %
Equities	41,999	7.6	34,203	7.4
Bonds	38,887	4.8	42,714	5.3
Property	5,031	7.6	4,925	7.4
Cash	386	3.5	777	4.0
	<u>86,303</u>		<u>82,619</u>	

# Notes to the Accounts (continued)

The following amounts at 31 July 2003 and 31 July 2002 were measured in accordance with the requirements of FRS 17.

	2003 £000	2002 £000
Total market value of assets	86,303	82,619
Present value of scheme liabilities	90,988	76,649
(Deficit)/surplus in the scheme	<u>(4,685)</u>	<u>5,970</u>

If the above amounts had been recognized in the financial statements, the group's net assets and general reserve at 31 July 2003 and 31 July 2002 would be as follows:

	2003 £000	2002 £000
Net assets excluding pension liability/asset	152,723	136,508
Pension (liability)/asset	<u>(4,685)</u>	<u>5,970</u>
Net assets including pension liability/asset	<u>148,038</u>	<u>142,478</u>
General reserve excluding pension liability/asset	43,060	40,410
Pension reserve	<u>(4,685)</u>	<u>5,970</u>
General reserve	<u>38,375</u>	<u>46,380</u>

The following amounts would have been recognized in the performance statements in the year to 31 July 2003 under the requirements of FRS 17:

<b>Operating Profit</b>	2003 £000	2002 £000
Current service cost	2,731	2,757
Past service cost	-	-
Total operating charge	<u>2,731</u>	<u>2,757</u>
<b>Other finance income:</b>	2003 £000	2002 £000
Expected return on pension scheme assets	5,147	5,473
Interest on pension scheme liabilities	<u>(4,590)</u>	<u>(4,418)</u>
Net return	<u>557</u>	<u>1,055</u>
<b>Statement of total recognized gains and losses</b>	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	(75)	(12,815)
Experience gains and losses arising on scheme liabilities	474	-
Changes in assumptions underlying the present value of the scheme liabilities	<u>(10,526)</u>	<u>3,801</u>
Actuarial loss recognized in STRGL	<u>(10,127)</u>	<u>(9,014)</u>
<b>Movement in surplus during the year</b>	2003 £000	2002 £000
Surplus in scheme at beginning of the year	5,970	14,901
Movement in year:		
Current service cost	(2,731)	(2,757)
Contributions	1,646	1,785
Past service costs	-	-
Other finance income	557	1,055
Actuarial loss	<u>(10,127)</u>	<u>(9,014)</u>
(Deficit)/surplus in scheme at end of the year	<u>(4,685)</u>	<u>5,970</u>

The University also has a small number of staff in the National Health Service Scheme (NHSS), the total cost of which was £748,000 (2002: £708,000).

# Five-year Summary

	2003 £000	2002 £000	2001 £000	2000 £000	1999 £000
<b>INCOME</b>					
Funding Council grants	80,911	76,385	67,924	64,046	64,180
Academic fees and support grants	38,929	31,256	27,842	24,771	24,705
Research grants and contracts	53,113	50,747	45,080	42,061	38,880
Other operating income (a)	55,062	57,534	44,685	38,133	31,066
Endowment income and interest receivable	2,401	2,541	3,816	3,272	3,586
Total income	<u>230,416</u>	<u>218,463</u>	<u>189,347</u>	<u>172,283</u>	<u>162,417</u>
<b>EXPENDITURE</b>					
Staff costs (b)	127,378	127,992	111,647	103,926	97,448
Depreciation	7,425	5,524	3,715	3,944	4,246
Other operating expenses	91,936	86,432	72,681	62,543	59,641
Interest payable	1,027	1,085	1,259	1,269	1,540
Total expenditure	<u>227,766</u>	<u>221,033</u>	<u>189,302</u>	<u>171,682</u>	<u>162,875</u>
Surplus/(deficit) after depreciation of assets but before tax	<u>2,650</u>	<u>(2,570)</u>	<u>45</u>	<u>601</u>	<u>(458)</u>

## Notes:

(a) Other operating income in 2002 includes £5,534k exceptional income relating to the sale of an investment.

(b) Staff costs in 2003 and 2002 include voluntary severance costs of £4,376k and £7,998k respectively.



**University of Newcastle upon Tyne**

Newcastle upon Tyne

NE1 7RU

United Kingdom

Telephone: +44 (0) 191 222 6000

**[www.ncl.ac.uk](http://www.ncl.ac.uk)**

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