

# Profile

Annual Review and Accounts 2014-15

---



# 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	38–42
Corporate Governance	43–47
Independent Auditor's Report to Council	48
Statement of Principal Accounting Policies	49–51
Consolidated Income and Expenditure Account	52–53
Balance Sheets	54
Consolidated Cash Flow Statement	55
Notes to the Accounts	56–72
Five-year Summary	73





---

# INTRODUCTION FROM THE CHAIR OF COUNCIL

---



Mark I'Anson

**Chair of Council and  
Pro-Chancellor**

04

I am pleased to introduce Newcastle University's financial statements for 2014–15. 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.

We can be proud of achieving most of our goals. Newcastle University scored among the very best in the country in the National Student Survey, the quality of our leadership has been recognised at the *Times Higher Education Awards*, staff satisfaction is amongst the highest in the sector, our research has been recognised as internationally excellent, our finances are in good shape, and student recruitment, including those from less privileged backgrounds, shows strong growth despite the increasing competition among universities.

All this has been achieved while sticking to our core principles. We are a civic university, perhaps best articulated by our strapline – Excellence with a Purpose. Our research and our teaching are directed to areas where we can make a real difference in society and that clearly strikes a chord with the talented young people who choose to study with us.

We have experienced strong recruitment of overseas students to Newcastle and the success of our international campuses in Malaysia and Singapore enhances both our academic profile and the diversity of our community. We strongly believe in the academic and social benefits our staff and students derive from this diversity and we continue to assess opportunities for further overseas investment where this supports our academic vision.

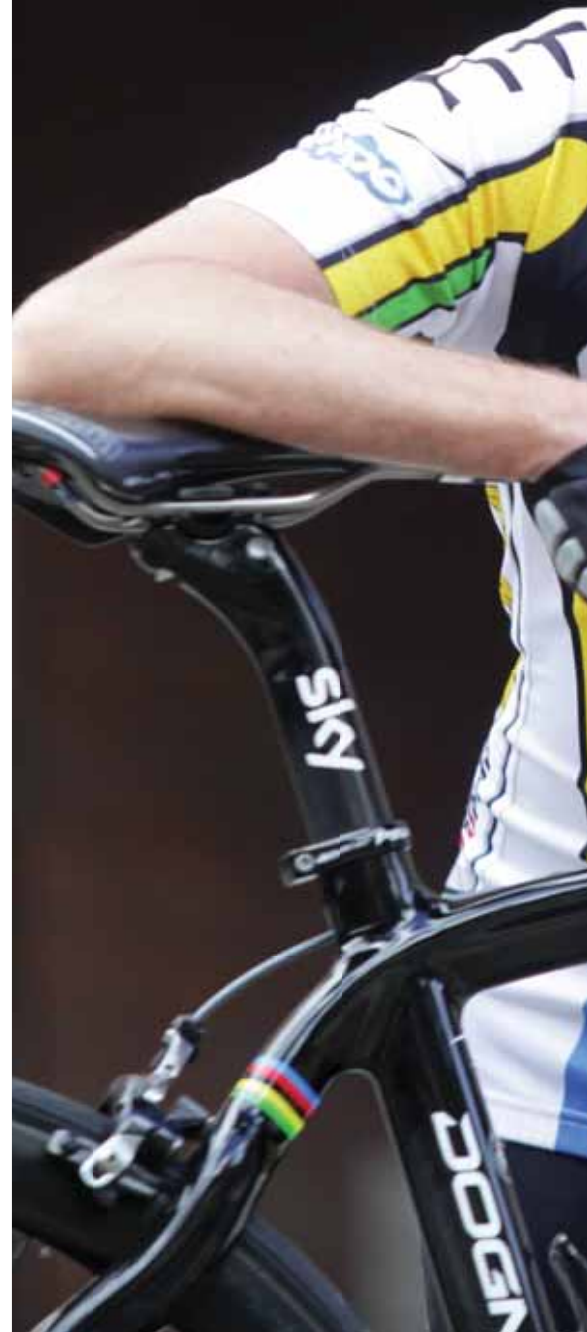
In a year that saw further growth in our research income, the results of the 2014 Research Excellence Framework confirmed the quality of our work, with clear demonstrations of international excellence and global leadership in many areas. This does not mean we

can relax. We live in a competitive world and have already set challenging new targets to further improve the quality of Newcastle's research and extend our global reputation.

Our plans for both teaching and research require ongoing investment in people, systems and buildings. Over the next five years we will undertake developments on our main campus, at the Centre for Ageing and Vitality, and at Science Central. We will also invest in a major redevelopment of our student accommodation.

All these achievements in 2014–15 are testament to the committed hard work of our people. I am grateful for the consistent and enthusiastic support of my fellow members of Council, and wish to thank the Vice-Chancellor and his Executive Board, our skilled staff, and of course our excellent students for their contribution to the University's success over the past year.

But we are not complacent. It remains the case that this University, along with the rest of the sector and the wider economy, faces many challenges. The uncertainty of the general election is now behind us, but with capped undergraduate fees until at least 2017–18, pressures on both pay and pensions, and an increasingly competitive funding environment for research, we need to maintain the balance between strategic investment, close financial management, and delivery of value for money. The results described in the following pages confirm the financial strength of the University and the sound base from which we intend to deliver further growth and the fulfilment of our strategic aims.





TO CELEBRATE HIS 60TH BIRTHDAY, MARK I'ANSON CYCLED 700KM ACROSS THE ROUTE DES GRANDES ALPES, RAISING MONEY FOR RESEARCH INTO AGEING.

# INTRODUCTION FROM THE VICE-CHANCELLOR

*Chris Brink*

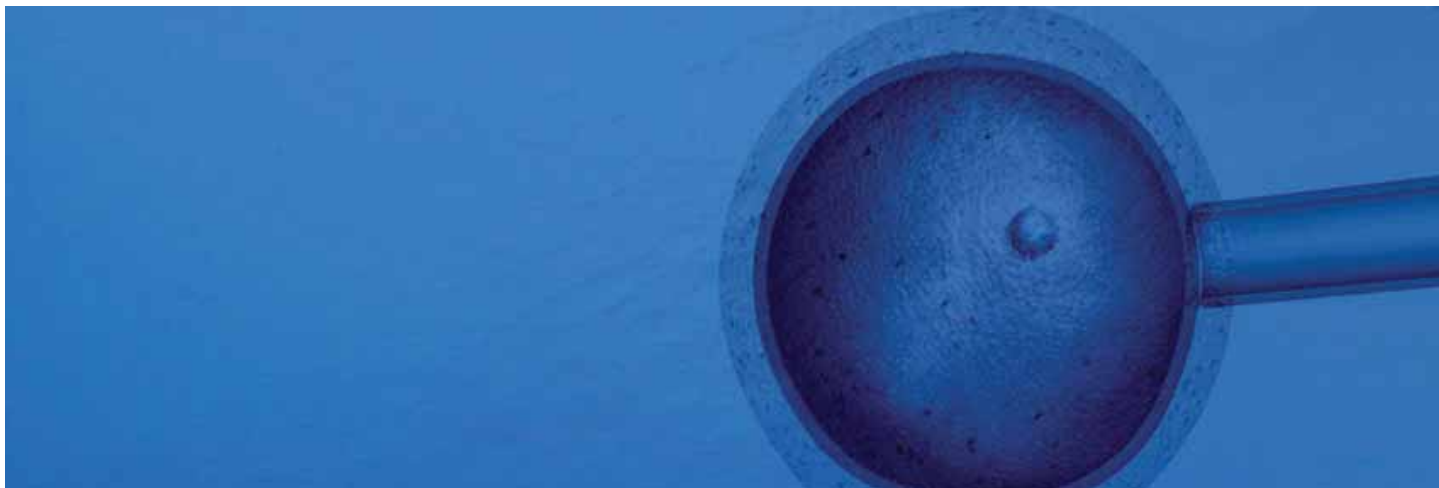
Professor Chris Brink

Vice-Chancellor

06

The big event of the past year, not just for us at Newcastle University but for the whole higher education sector, was the announcement in December 2014 of the results of the national Research Excellence Framework (REF).





The REF is conducted by the Higher Education Funding Council for England (HEFCE), and it yields a profile of the quality of research at each university in the UK. HEFCE then uses that profile to determine the formula-based research grant for each university in England, and this grant remains in place until the next REF exercise in 2020. The REF is also important from a reputational point of view, because inevitably it gets turned into a league table. I am pleased to report that at Newcastle we improved our ranking, and are listed as 16th in the UK (and also 16th in the Russell Group) on the 'research power' calculation.

Our research has advanced on a number of fronts. Perhaps the best-known example was the national and international attention paid to Professor Doug Turnbull and his team's work on mitochondrial donation, a technique that enables women subject to mitochondrial disease to have healthy children – a world first. So important was this work that Parliament amended legislation in order to make its implementation possible. On a different front, the Chancellor of the Exchequer, George Osborne, as part of his Northern Powerhouse initiative, awarded us a £20m grant (which we will match) to set up the National Centre for Ageing Science and Innovation, to pursue innovation of products and processes aimed at an ageing population. This will complement the scientific and clinical research on ageing for which Newcastle University is already widely known. As a third example, following an initiative from the Department of Food and Rural Affairs to privatise its research arm, FERA (the Food and Environment Research Agency), Newcastle University was selected to partner FERA to become responsible for a new national Institute for Agri-Food Research and Innovation.

We were also awarded £10m to advance our research on urban sustainability at Science Central. That development is powering ahead, as you can see for yourself if you go to the site or just pass by. The Core building at the front (put up by our partners Newcastle City Council) is nearing full occupation, landscaping is well advanced, and we have received planning permission for the £57m Urban Sciences Building. Our Institute for Sustainability will be physically present on Science Central in January 2016, in a revolutionary fabric structure – called The Key – which uses similar technology to that developed by the Newcastle University team for the 2012 Olympic Stadium. In addition to research and teaching, The Key will be used to showcase the Science Central vision to business and industry leaders, policymakers and local communities.

The latest National Student Survey shows that 91% of our students are satisfied with the quality of their education, placing us joint 6th in the UK amongst comparator institutions, and joint 1st with Oxford in the Russell Group. It is good to have the hard work and dedication of our staff acknowledged in this way. We are also ranked 4th in the country for quality of student life by *The Complete University Guide*, and 10th by the *Times Higher Education* Student Experience Survey.

A number of developments will further enhance the student experience. The Coherent Campus initiative continues to improve the University's appearance. Our iconic redbrick Armstrong Building is still undergoing sensitive restoration work. The Library is expanding into a newly purchased building on Sandyford Road. Council has agreed that our student accommodation on Richardson Road is reaching the end of its life, and so (despite the fond memories many alumni have of its somewhat spartan facilities) it is to be replaced, on the same site, in a £78m project.

Plans are well advanced for a major extension to the Sports Centre. Newcastle University does very well in the annual British Universities and Colleges Sport league, coming 11th nationally this year – an outstanding achievement for a university that does not offer a sport science degree. Our students are also very entrepreneurial. Last year we spun out more than 30 student companies, and our running total over the past decade is more than 200 graduate start-up companies currently in operation, supporting over 500 jobs in the region. This past year, students from Newcastle University won both the National Union of Students Enterprise Award and the Santander Universities Entrepreneurship Award.

The University remains active outside Newcastle as well. Beside our activities in Malaysia and Singapore, our new London campus opened its doors in September 2015. Our first offerings in London will be from the Business School – which gained the coveted 'triple accreditation' from three separate international bodies (EQUIS, AMBA and AACSB) this past year.

Finally, it is a pleasure to report that Newcastle University has again scooped the *Times Higher Education* Leadership and Management Award – the only university to have won it twice.

Overall, then, we have had a good year, and I would once again like to say a big thank you to all our staff and students, Senate, Council and Court, as well as our alumni, donors, benefactors and friends.

# STRATEGIC REPORT

FOR THE YEAR ENDED 31 JULY 2015

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. It has one of the largest European Union research portfolios in the UK and has research links with many other countries. Our research spans a wide range of activity with a strategy to address major societal challenges.

Over 23,500 students from more than 100 different countries choose to study at Newcastle University.

We offer undergraduate degrees and postgraduate taught and research degrees in over 50 subject areas. Our 50-acre 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 5,670 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.



Professor Chris Brink

Vice-Chancellor







## 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

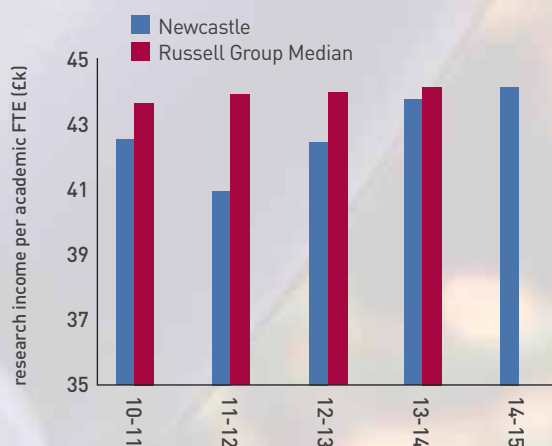
# TOP 20 IN THE UK FOR RESEARCH

## 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

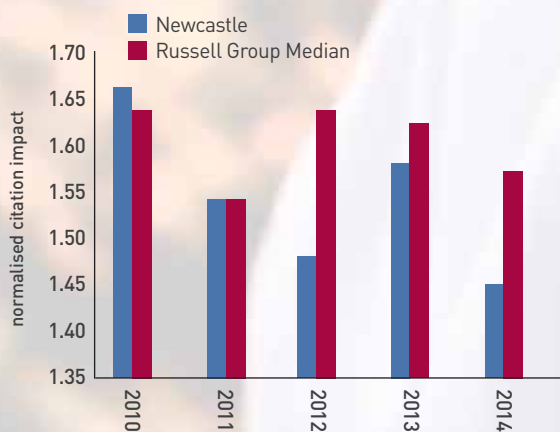
## Measuring success

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

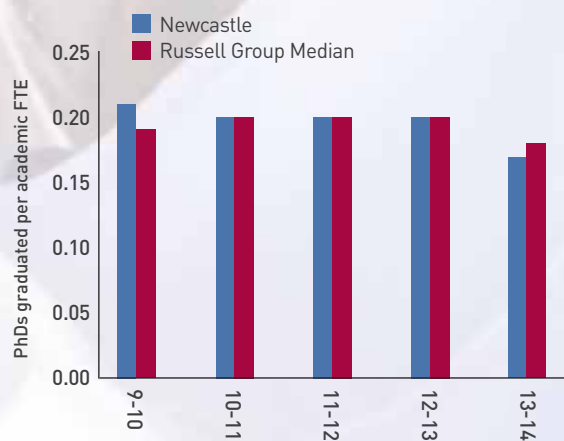


OVERALL ASSESSMENT  
**SATISFACTORY**

**World citation impact  
(using a normalised measure)**



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



## Risks

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

## Progress during the past year

Excluding the impact of one-off Research and Development Expenditure Credits (described in more detail in the Financial Review), research income increased by 3% from £102.0m in 2013–14 to £105.0m in 2014–15. There were increases across almost the entire portfolio of funding sources. Key research income streams are illustrated below.



Research Councils	32%
UK charities	23%
UK government and NHS	20%
European Union	15%
Industry and commercial	7%
Other	3%

Research Council income increased for the third successive year from £30.9m in 2013–14 to £32.3m in 2014–15. UK government and health authority income increased from £20.1m to £21.3m and research income from EU government sources increased from £12.2m to £13.0m.

However, new research awards, a lead indicator for future research income, decreased by 23% from £125.1m in 2013–14 to £96.1m in 2014–15. Decreases are evident across the majority of funding sources except for awards from UK charities which increased from £25.3m to £29.2m and UK industry which increased from £3.6m to £4.9m. A reduction in available funding in anticipation of the most recent general election and forthcoming comprehensive spending review played a significant part in the decrease in Research Council awards from £37.6m to £24.2m and UK government and health authority awards from £37.3m to £22.3m. EU government awards also decreased from £14.4m to £8.5m, due in part to the transition from FP7 (the EU's Seventh Framework Programme for Research) to the recently introduced Horizon 2020 programme.

The Research Excellence Framework (REF) 2014 results ranked Newcastle 16th (out of 154) in the UK for research power, a rise of one place from 2008. The results illustrated that the vast majority of the University's research was placed in the top two categories of 4\* (world leading) or 3\* (internationally excellent).

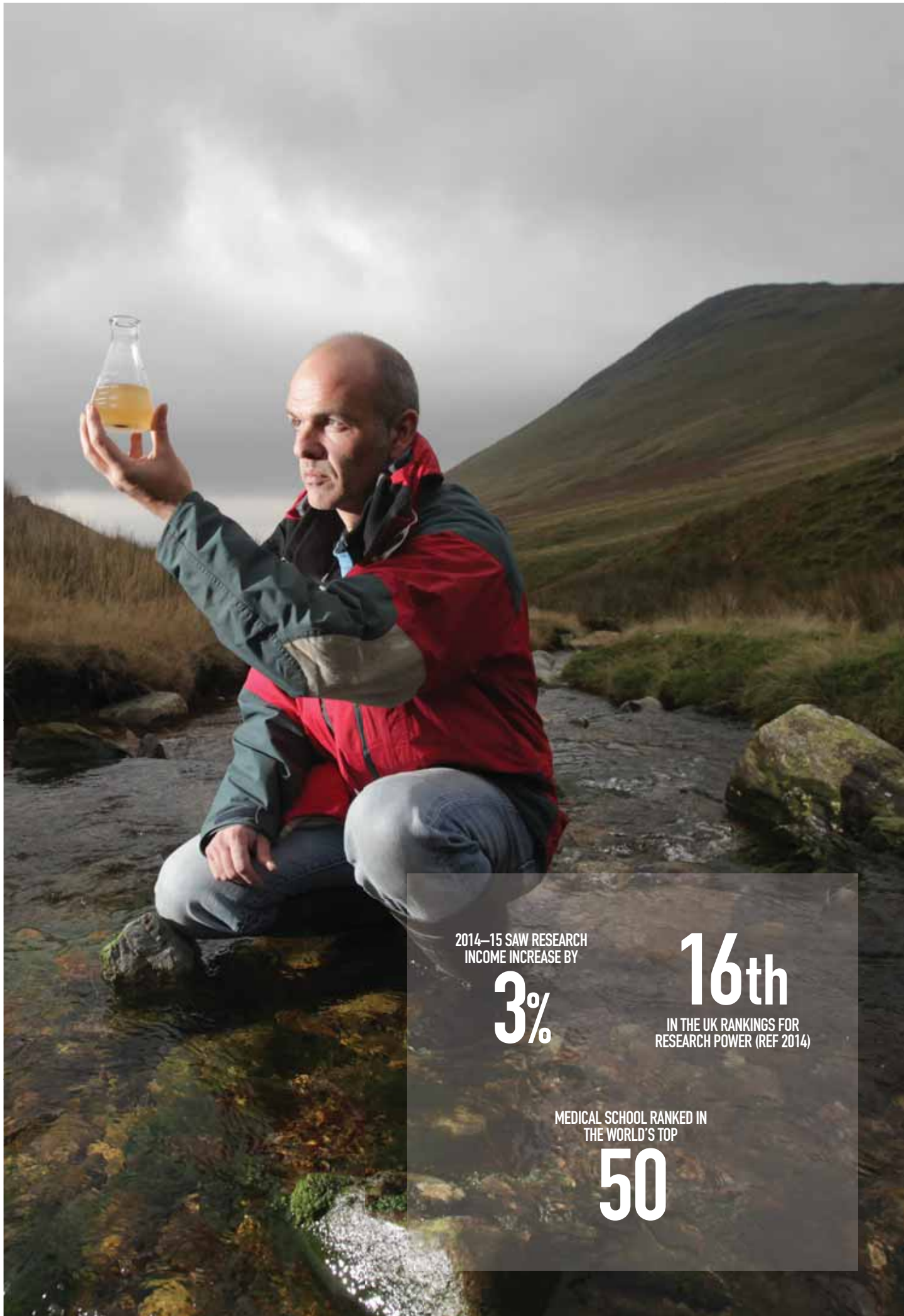
The respected Leiden Ranking, which measures international research strength, based on hard citation evidence, placed us 104th in the world. Our medical school has also been ranked in the world's top 50.

The University's developing relationship with Siemens resulted in the University being promoted to Principal Partner Status with the company during 2014–15. Work in this arena is continuing with a view to cementing this relationship and further developing relations with other companies of particular strategic significance.

The work of Professor Doug Turnbull and his team will make a major difference to the lives of patients and families affected by mitochondrial disease. Legislative change has taken place to enable this pioneering work, and most importantly, families can now protect their future generations from this disease.

The international research agenda, and raising the University's profile in this regard, is being taken forward via a number of initiatives. Of particular note is the introduction of the University Research Committee's International Research Collaboration Awards. This scheme is being incorporated into an overarching Global Excellence Fund during 2015–16 with the aim of establishing or strengthening partnerships with world-leading universities of particular interest.

There is increasing expectation that both research publications and research data should be 'open' to any other users. The University has put systems in place to enable funder requirements for research outputs to be met. A University-wide awareness-raising campaign is currently being undertaken in relation to the HEFCE requirement for research outputs to be made open access within three months of acceptance for publication in order to be eligible for REF submission.



2014–15 SAW RESEARCH  
INCOME INCREASE BY

**3%**

**16th**

IN THE UK RANKINGS FOR  
RESEARCH POWER (REF 2014)

MEDICAL SCHOOL RANKED IN  
THE WORLD'S TOP

**50**

# TOP 20 IN THE UK FOR STUDENT SATISFACTION

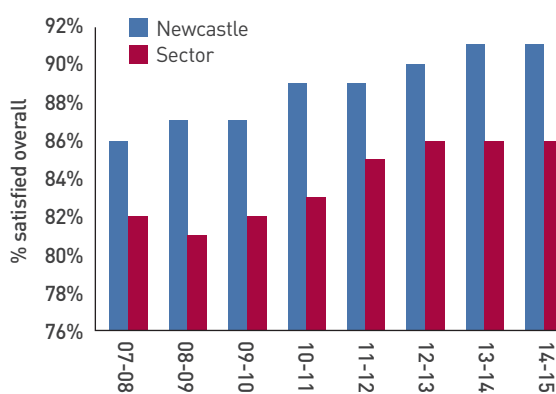
## Priorities

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. Our key priorities are to:

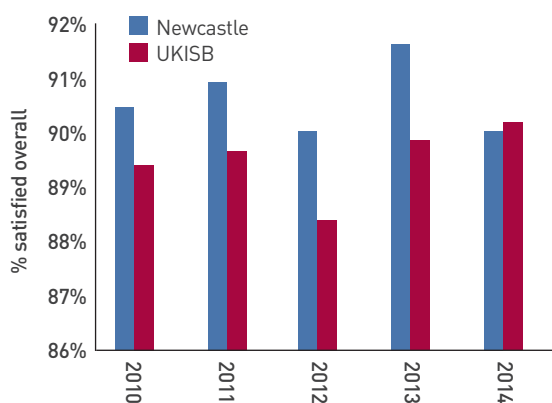
- continue to recruit high-quality undergraduate students within a competitive market following the removal of student numbers controls
- further develop our postgraduate taught student offer and recruitment, drawing on our involvement in HEFCE's Postgraduate Support Scheme in 2015
- continue to prioritise the recruitment of high-quality postgraduate research students
- achieve managed growth in our student numbers, whilst addressing the associated capacity and student support implications
- continue to manage the impact of Home Office controls on key international recruitment markets and the student experience
- manage the impact of changes to the financial support for disabled students
- continue our work to ensure the full integration of our UK and international students as a cohesive learning community
- ensure delivery of an equivalent 'Newcastle University Student Experience' in transnational, off-campus, distance or online programmes
- ensure a successful Quality Assurance Agency Higher Education Review in Spring 2016

## Measuring success

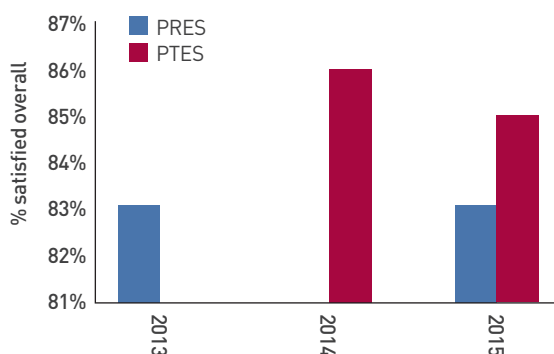
National Student Survey - overall satisfaction

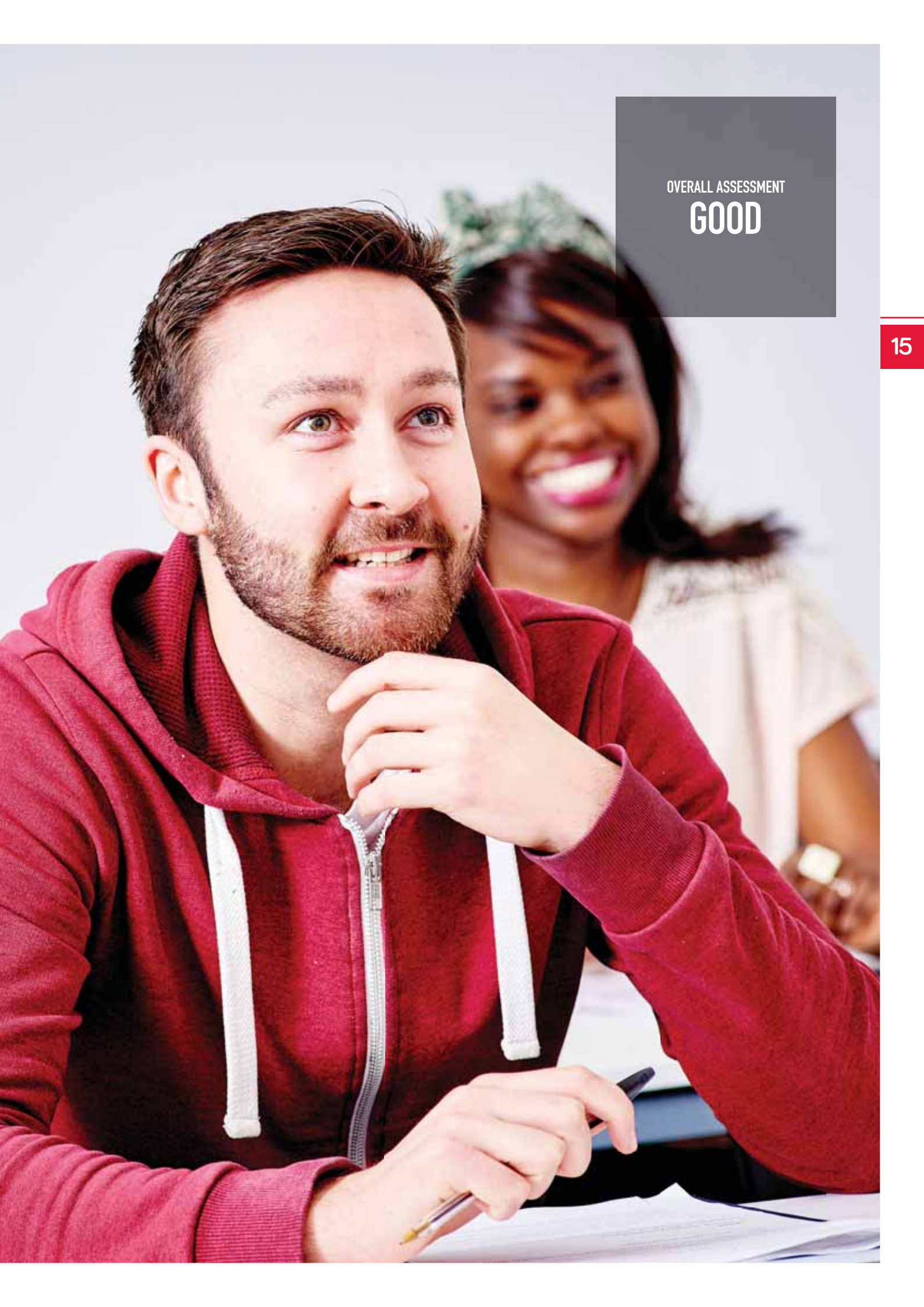


International Student Barometer - overall satisfaction



PRES and PTES Surveys





OVERALL ASSESSMENT

**GOOD**

## Risks

- We need to continue to deliver an excellent student experience that meets student expectations
- We need to maintain teaching quality and standards in the context of managed growth
- We need to achieve widening participation benchmarks and Access Agreement milestones

## Progress during the past year

The University maintained its strong institutional performance in the National Student Survey (NSS) of undergraduate students, with 91% of 2015 respondents satisfied with the overall quality of their course (the same as in 2014 but showing sustained improvement from 81% in 2006). This result placed Newcastle University joint 6th among comparable 'full service' (ie non-specialist) universities and 1st equal, with Oxford, in the Russell Group.



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

	Newcastle		Sector
	2014	2015	2015
<b>Overall satisfaction</b>	<b>91%</b>	<b>91%</b>	<b>86%</b>
The teaching on my course	90%	89%	87%
Assessment and feedback	71%	71%	73%
Academic support	86%	86%	82%
Organisation and management	86%	86%	79%
Learning resources	90%	91%	87%
Personal development	84%	86%	83%
Satisfaction with the students' union	82%	81%	69%

These results reflect the significant impact of the University's commitment to articulating and delivering the undergraduate student offer as well as our investment in upgrading IT facilities, improving library resources, and developing innovative, user-friendly, learning spaces. Whilst improvements in previous years in the area of assessment and feedback have been sustained, this is the only area of the NSS where our score continues to be below the sector average. Actions to address this and to share good practice remain a high priority. At subject area level, 30 out of 46 met or exceeded our 90% target for overall student satisfaction (33 out of 46 in 2014).

In the Autumn 2014 International Student Barometer (ISB) results, 90% of Newcastle respondents were satisfied overall (92% in 2013). Newcastle University was ranked 1st out of 14 participating Russell Group universities in the categories of registration, support in opening bank accounts, physical library,

learning technology (PCs/networking etc), laboratories, campus buildings, financial support, and support through the Careers Service. Areas identified for improvement, including opportunities for the social integration of international students, are being addressed.

The 2015 Postgraduate Taught Experience Survey (PTES) results indicated that 85% of respondents were satisfied overall. Teaching scored an average satisfaction rate of 84% and the score for resources was 88%. In common with the sector-wide results, assessment and feedback remain more challenging, with 74% of 2015 respondents expressing satisfaction.

The 2015 Postgraduate Research Experience Survey (PRES) results indicated that 83% of postgraduate research students were satisfied overall, with 88% satisfied with supervision; 84% satisfied with resources; 82% satisfied with progression; and 87% satisfied with their research skills development.

Excellent employability outcomes reflect our continued focus on the development of our students' employability skills. The 2014 Destination of Leavers of Higher Education survey employment indicator of 94.1% (2013: 93.7%) placed Newcastle 10th equal in the Russell Group and 1st in the North East. The proportion of graduates employed full time in professional and managerial work is 85.4% (84.7% in 2013). Figures compare favourably with the national picture.

Our continued focus on delivering our undergraduate student offer, defining the common principles, elements and opportunities at the core of the learning experience of all undergraduate students, is complemented by further development of our commitments to the postgraduate experience. For all of our students, we are committed to investment that enhances both their academic experience and all other aspects of their time at Newcastle: social, cultural, sporting, residential and 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 2014–15, for example, well over 5,000 volunteering opportunities were provided through SCAN (Student Community Action Newcastle), representing almost 50,000 hours of service. Students also benefit from accredited and paid placements, an entrepreneurship module, the Newcastle Work Experience scheme and the JobsOC (Jobs On Campus) initiative, which employs students in temporary and casual work on campus. This year, 233 students completed our new ncl+ Award, which gives students the opportunity to record formally their activity and achievements on their academic record.

The Students' Union-organised Teaching Excellence Awards celebrate outstanding performance by the University's academic and support staff. Students nominate hundreds of staff across a number of categories each year, and the judging process culminates in a high-profile celebration event in which the shortlisted candidates are presented and the winners announced. The event is a popular and influential example of the University and its students working in partnership as members of a thriving academic community.

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. Our innovative 'Pop-up Library' in the heart of campus provided additional study spaces during the peak revision and examination period. Anticipating further growth and demand, we are improving library resources with the acquisition of an additional library building, which will open in January 2016, to provide a significant increase in library study space and facilities.

We are continuing to invest significantly in refurbishing and replacing our student accommodation stock. Students benefitted from a further 350 *en suite* rooms as a result of the development of accommodation at Kensington and Park Terraces, which opened in September 2014. Plans to replace the current Richardson Road self-catering accommodation are under way, to create 1,300 *en suite* rooms.

Sport is a vital element of the student experience at Newcastle with more than 11,000 students taking out Sports Centre membership in 2014–15. In performance sport Team Newcastle was ranked 11th out of 151 institutions competing in the British Universities and Colleges Sport (BUCS) programme.

We are making major capital investment in our sporting infrastructure, with plans for a significant extension of our facilities alongside ongoing refurbishment and development of existing sites.

We continue to enhance promotion of our full student offer to prospective students in ways that inform, engage and support them in their aspiration to study at Newcastle University.

Ongoing development of our digital and social media outreach is enabling us to amplify the impact of our successful student recruitment and widening participation activities with schools and colleges across the UK.

As part of our Access Agreement commitments, we now deliver our flagship PARTNERS Programme to more than 900 schools nationally, making it one of the largest access schemes in the UK. Our wide-ranging 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, are key elements of our success in student recruitment.

Our ongoing popularity in 2014–15 was again reflected in excellent Open Day attendances, culminating in record numbers of applications for 2015 entry.

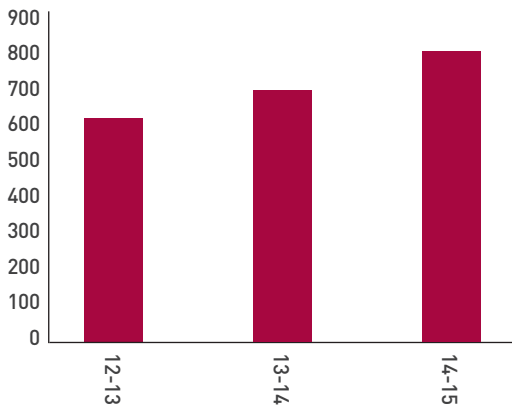
# FOCUS ON THREE SOCIETAL CHALLENGE THEMES

## Priorities

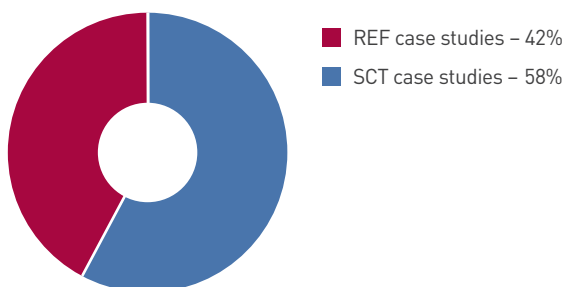
- Develop plans for the National Centre for Ageing Science and Innovation (NASI)
- Exploit opportunities to bid for European funding for research and innovation projects through our membership of the European Institute of Innovation and Technology
- Develop the Future Cities initiative working with Newcastle City Council
- Develop the Urban Sciences Building and the proposed Conference and Learning Centre 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 (as part of its Raising the Bar programme) for REF 2020

## Measuring success

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



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




## Risks

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

## Progress during the past year

Societal challenge themes are a key part of the University's strategic development and are a clear demonstration of our vision as a world-class civic university with a global reputation for excellence. Each of our three chosen societal challenge themes: ageing, social renewal, and sustainability is led by a Faculty Pro-Vice-Chancellor on behalf of the University supported by a Director and a small cross-faculty institute. Each theme is described in more detail here, together with some of the key highlights from the past year.

Two initiatives common to all three themes were the award of Honorary degrees to exemplars in these chosen themes and the visibility of our activity at the 2014 political party conferences. We were pleased to award Honorary degrees to Angela Rippon (ageing), Paul Marshall (social renewal) and Bruce Babbitt (sustainability). We gave presentations on ageing at the Liberal Democrat conference, social renewal at the Conservative conference, and sustainability at the Labour conference – all were well received.



OVERALL ASSESSMENT

**GOOD**

## Ageing

The Newcastle University Institute for Ageing brings together expertise from across the University as a hub for research and innovation activity focused on how we can live better for longer in our communities and maintain our quality of life. Living longer is now 'inevitable': average life expectancy in the UK and elsewhere continued to increase at the rate of more than two years per decade. The new ageing challenge for the twenty-first century is how do we ensure our *extra years* are spent in good health for as long as possible?

The Institute has three primary aims:

- to advance understanding of healthy ageing by conducting world-class research in the biological, medical and psychosocial aspects of ageing across the life course
- to generate impact by translating research into real-world outcomes to benefit the public, patients, the NHS and industry
- to contribute to Newcastle University's vision to be a world-class civic university through local, national and international engagement with key stakeholders

Highlights during the past year included:

- the Chancellor of the Exchequer announced the successful Newcastle University bid to create the National Centre for Ageing Science and Innovation (NASI) in his Autumn statement in December 2014. This centre will support 1,300 jobs across the city and provide a £22m boost to the region. Newcastle University is matching the government's £20m pledge, bringing the total investment in NASI to £40m
- we became founder members of the European Institute of Innovation and Technology (EIT): Knowledge and Innovation Community in Lifelong Health and Active Ageing. EIT Health is a consortium of partners from leading businesses, research centres and universities from across 14 EU countries. Its goal is to contribute to increasing the competitiveness of European industry, whilst also improving the quality of life of Europe's citizens and the sustainability of healthcare systems
- scientists at the Newcastle University Institute for Ageing and Health and Keio University School of Medicine, Tokyo have been investigating the secret of why some people live a healthy and physically independent life over the age of 100. They explored which biological and pathological processes may be the most important for successful ageing after 100 years of age



## Social renewal

The Newcastle University Institute for Social Renewal, established in 2012, is helping us to achieve our vision of a world-class civic university while maintaining excellence with a purpose, ensuring we understand not just what we are good at, but also good for. Our activity is focused in three areas: first, as a thought leader; secondly, through the production and dissemination of high-quality research and scholarship that then informs policy; and thirdly, working on selected projects with partners. We want to explore the ways in which a research-intensive university can connect with society and make a difference.

Our key challenge is 'how can people, communities and societies thrive when faced with rapid, transformational change?' Ten themes have been identified to support our work: arts and culture in social renewal; citizenship; digital innovation; enterprise in society; health and inequality; learning for change; the past in the present; people, place and community; social justice and injustice; and wellbeing and resilience.

Highlights during the past year included:

- the Centre for Doctoral Training in Digital Civics is training doctoral students (minimum of 55 over the next five years) to redesign local services with communities, and to rethink how citizens interact with local government. The multidisciplinary centre has received an £8m EPSRC award, and has expertise in digital interaction, planning, public health, security, public involvement in land use, and education
- Dr Suzanne Moffatt worked with a team to examine the impact of the April 2013 government Welfare Reform, specifically the 'bedroom tax', on the North East. The research findings were powerful; reduced income affected purchasing power of essentials like food and utilities
- building on the Newcastle City Futures Exhibition and the Foresight Future of Cities research, Newcastle University and Newcastle City Council have established three key research impact forums to link findings to policy choices and ensure continued dialogue. The government's Chief Scientific Adviser commissioned the team to lead research focusing on trends facing the greater Newcastle City region entitled 'Foresight Future of Cities'
- Newcastle University representatives visited 10 Downing Street Policy Unit to discuss their report 'Reimagining the Rural: What's Missing in Rural Policy?'
- Professor Sugata Mitra launched SOLE Central (for self-organised learning environments)

## Sustainability

The Newcastle University Institute for Sustainability provides leadership and innovation in sustainability research under the banner 'Enough, for all, forever'. Activities bridge boundaries and are highly collaborative, working with academia, industry, policymakers and communities nationally and internationally. Work is underpinned by five areas of established research excellence:

- **Energy:** leading research into energy infrastructure such as smart grids and storage
- **Earth Systems Engineering:** improving predictions of drought and flood and becoming better prepared when they occur
- **Transport (road, rail and marine):** making vehicles greener and implementing infrastructure to support low-carbon transport
- **Water:** improving waste treatment and access to clean water, as well as predicting future climate change
- **Food:** how to ensure there is enough for all, cut waste and develop sustainable food manufacturing

Highlights during the past year included:

- Customer-Led Network Revolution (CLNR), which enables energy customers to have more choice in how they use and generate electricity with the aim of speeding up adoption of low-carbon technologies. 11,000 domestic and 2,000 small- to medium-sized enterprises were trialed. Research findings have been widely published and policymakers briefed
- development of the Science Central site is progressing well. The site went live in November 2014 with the opening of The Core, providing contemporary office space for firms working on future city challenges. The Core also hosts big data research projects through the Cloud Innovation Centre
- plans have been approved for the £57m Urban Sciences Building, scheduled to open in 2017. This new centre will combine an energy storage test bed, an urban observatory, and a 'decision theatre' designed to facilitate public and stakeholder engagement
- Frontiers in Engineering Biology is a £5.6m interdisciplinary research platform funded by the Engineering and Physical Sciences Research Council. The aim is for a world where biological systems are used to create more sustainable technologies to improve the environment, energy, materials, and health. The project bridges the gap between ideas and reality by undertaking research in real-world environments
- the Iwokrama International Centre for Rainforest Conservation and Development is using rainforest resources to generate economic benefits sustainably. The project has integrated research in areas of climate, water, soil, biodiversity and cultural heritage

# A SIGNIFICANT INTERNATIONAL, NATIONAL AND REGIONAL PROFILE AND REPUTATION

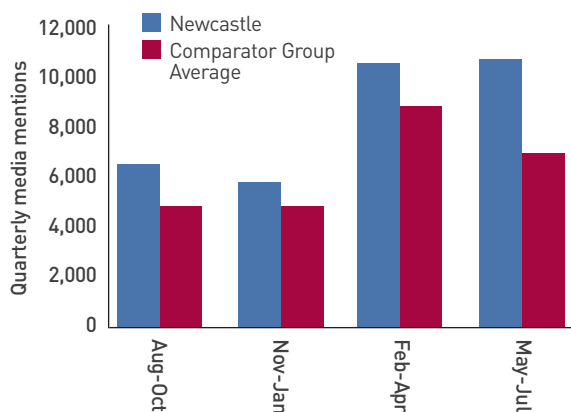
## Priorities

- 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 the 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

Media mentions 2014-15



Main UK League Tables	2013	2014	2015
Guardian University Guide	27	28	29
Complete University Guide	27	20	26
Good University Guide	18	22	23

World University Ranking Tables	2013	2014	2015
Leiden Ranking	133	121	104
QS World University Rankings	129	127	162
Times Higher Education	198	202	196

OVERALL ASSESSMENT  
**MEDIUM RISK**



## Risks

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

## Progress during the past year

We want our research and teaching to make a difference to people's lives, locally, nationally and internationally; this is what we mean by a 'civic' university and is captured in our strapline Excellence with a Purpose.

In the year we were able to show the impact of our research through a multimedia campaign that featured case studies of our strongest disciplines as measured by the REF.

Research into muscular dystrophy, human trafficking and the effects of climate change in Antarctica were among the stories promoted across the globe to increase awareness of Newcastle University among academics, students and alumni.

We attracted global media attention when the UK government became the first in the world to change the law to allow an IVF technique, to help prevent babies being born with mitochondrial disease, developed by Newcastle University academics to go ahead. Professor Sugata Mitra's work in developing his vision for 'Schools in the Cloud' where children learn independently using the internet has also made headlines across the world. Professor Mitra's TED prize-winning research has resulted in seven physical learning labs being built in India and the UK. We launched SOLE Central as a global hub for research into self-organised learning environments, bringing together researchers, practitioners, policymakers and entrepreneurs.

Academic conferences are an effective way to raise the profile of Newcastle University's research. In the year we launched an academic conference support scheme to provide specific funding and practical help to staff wanting to stage a conference at our campuses in Newcastle, Malaysia or Singapore. In the first year, the scheme has been able to support 11 academic conferences which have attracted almost 1,000 delegates to Newcastle.

Newcastle University's impact in the region is significant. Our economic impact measured by our income and the contribution that our students and staff make to the North East now exceeds £1bn. Significant investments in the National Centre for Ageing Science and Innovation and the Neptune National Centre for Offshore and Subsea Engineering position us well to play an important role in the government's Northern Powerhouse agenda.



The opening of the first building on Science Central (The Core) and progress on the University's £57m Urban Sciences Building is turning our vision to be recognised as a City of Science into a reality. The development has attracted significant support from government and interest from commentators who see it as an exemplar of digitally enabled urban sustainability.

The museums, galleries, public lectures and concerts that we run attracted almost one million visitors during the year. These include the Great North Museum, which welcomed its three-millionth visitor in 2014 since opening in 2009. Our ambitious plans to refurbish the Hatton Gallery will also now be realised as we have secured £2.1m from the Heritage Lottery Fund.

On 13 November 1967, Newcastle University awarded Dr Martin Luther King an Honorary degree of Civil Law – the only UK university to honour him during his lifetime. The BBC recognised this significant event during 2014 by filming an award-winning documentary that captured powerful recollections from the likes of singer and civil rights activist Harry Belafonte, US Senator Andrew Young, and former Supremes vocalist Mary Wilson. All spoke of their admiration for the University to confer such an honour on Dr King. The University is now planning a 50th Anniversary Celebration in 2017 to mark this important milestone in our history, which will include a mass participation open-air event, public art commissions, exhibitions in local museums and galleries, and a schools programme and legacy cloud learning package.



# FINANCIAL AND ENVIRONMENTAL SUSTAINABILITY

OVERALL ASSESSMENT  
**GOOD**

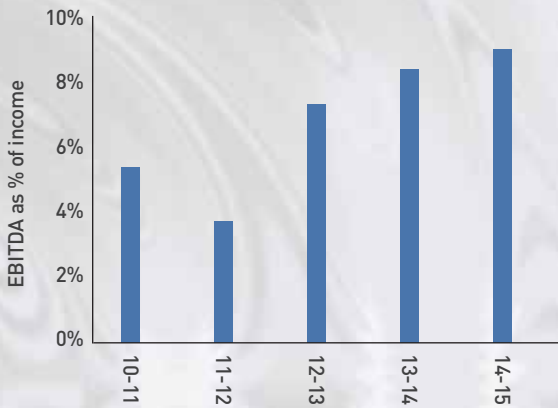


## Priorities

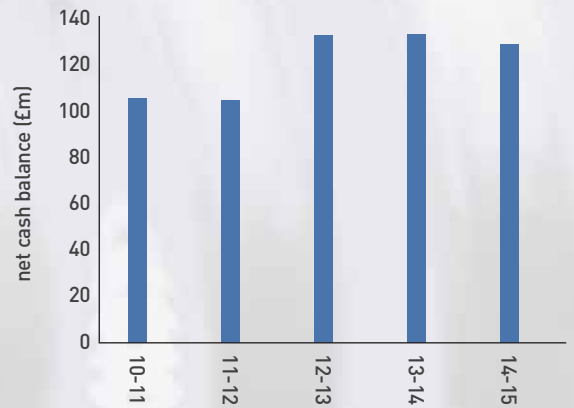
- Create capacity for strategic development by achieving an average earnings before interest, tax, depreciation and amortisation (EBITDA) margin of at least 6% of income, with a 4% minimum in any financial year
- Maintain a robust balance sheet with sufficient cash reserves to meet our financial obligations
- Deliver value for money in all our activities
- Use the University's cash reserves and, if necessary, borrowing capacity, to invest in 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 which are top quartile in higher education and which meet our legal and ethical obligations
- Reduce environmental impacts and achieve energy savings through delivery of Environmental and Energy Management Systems
- Improve the engagement of staff and students with sustainability across the academic and residential estates

## Measuring success

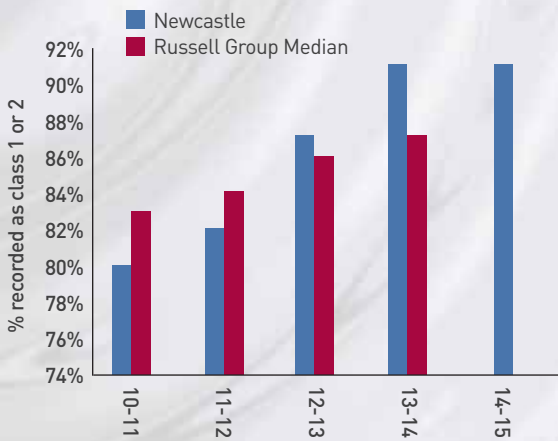
Earnings before interest, taxes, depreciation and amortisation, as a percentage of income



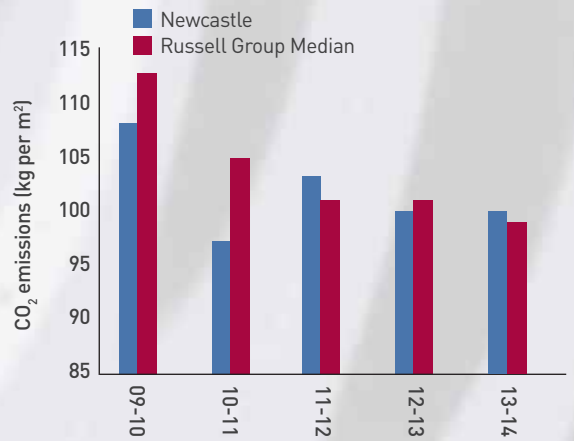
Net cash balances (£m): target - ≥ £50m



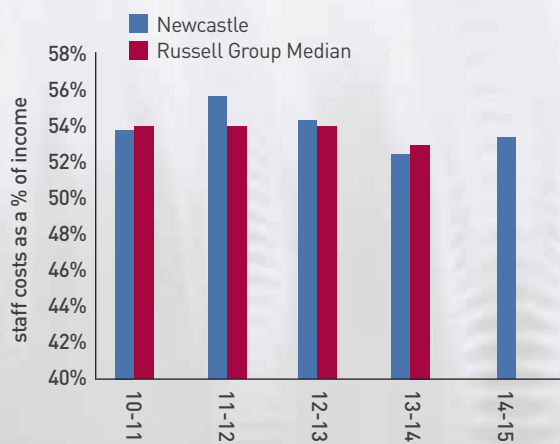
Functional suitability of the estate - recorded as class 1 or 2 in Estates Management Statistics



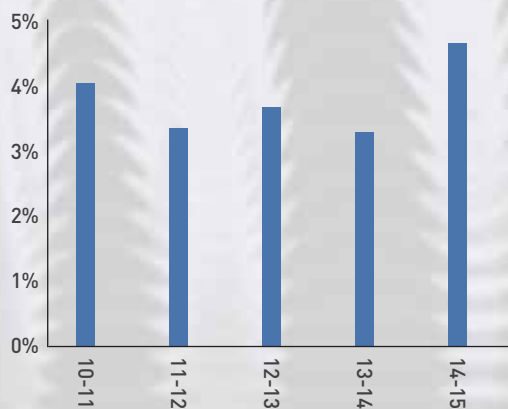
CO<sub>2</sub> emissions: target - 52kg (scope 1 and 2) CO<sub>2</sub> per m<sup>2</sup> gross internal area by 2020



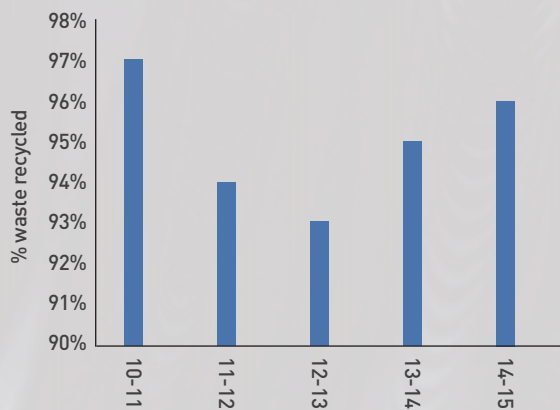
**Staff costs as a percentage of income:  
target -  $\geq$  55% of income**



**Infrastructure investment:  
target -  $>$  3% of insurance replacement value**



**Percentage of waste recycled:  
target -  $\geq$  92%**



## Risks

- We need to maintain financial viability and in particular a financially robust pensions provision
- We need to meet home and international student recruitment targets
- We need to recruit, develop, retain and reward staff of an appropriate calibre
- We need to manage the University in keeping with the ethos of environmental sustainability
- We need to maintain the estate as functionally suitable and have an appropriate information strategy and control of data
- We must 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 the foreseeable future. For this reason, it continues to adopt the going concern basis for preparing the accounts. 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 42). In summary, 2014–15 was another very good year with a total surplus of £45.8m compared to £30.3m in 2013–14. Net income grew by 8% from £438.5m to £475.2m with significant increases in fee income, as a result of the new funding arrangements. Total expenditure increased by 4% from £411.8m to £428.4m, reflecting the investment in staff and facilities to successfully deliver the increased volumes of students and research activity.

At 31 July 2015 the University held gross cash and short-term deposits totalling some £162.4m (2014: £167.9m), the equivalent of five months' (2014: five) recurrent total expenditure. These balances will decline in future years as the University fulfils its capital programme. Loan balances, which relate solely to property, were £13.8m, a decrease of £1.0m in the year relating to the repayments of fixed-term loans which are due to be repaid by 2029.

In July 2015 Newcastle became the only research-intensive university to gain dual certification for its Environmental and Energy Management Systems against the international standards ISO14001 and ISO50001. These help deliver a functionally suitable estate through outstanding sustainability performance. Our achievements include a 'First Class' Award for the third consecutive year in the People and Planet University League 2015; ranked 12th overall and top of the Russell Group, our highest position to date.

Investment in energy efficiency includes continuing to re-invest savings from our Revolving Green Fund. We have commenced replacing less efficient fluorescent lighting with LED, saving £83k and 89 tonnes CO<sub>2</sub> per annum. We have installed other leading-edge technologies including a system utilising phase change materials to deliver low-carbon cooling and ventilation to a computer cluster. The use of these higher efficiency measures will be rolled out across the campus.

Climate change is a business continuity threat; the University has actively mitigated this risk through flood prevention works on campus and future planning for Sustainable Urban Drainage at Science Central.

Maintaining our exemplary performance of recycling 96% of general waste, collaborative procurement with Northumbria and Sunderland Universities in 2015 secured a new contract for general waste and recycling. The contract will drive further improvements in source segregated recycling through incentive schemes for halls of residence and improved reporting.

Water consumption per staff and student FTE has reduced by 28% since 2005–06 through investment in water-efficient technologies.

We were shortlisted in the Environmental Association of Universities and Colleges Green Gown Awards 2014 (Carbon Reduction category), and achieved a 'Go Smarter to Work' Gold Award in 2015 for our sustainable travel initiatives. Achievements include reducing single-occupancy car drivers to work from 40.4% in 2004 to 15.7% in 2014, saving *circa* 2,700 tonnes of CO<sub>2</sub>e to date. This shift is supported through measures including free 'Dr Bike' cycle maintenance for staff and students, increasing the number of cycle spaces on campus to 1,500 and offering discounted public transport season tickets.



# CHARITY STATUS AND PUBLIC BENEFIT STATEMENT

FOR THE YEAR ENDED 31 JULY 2015

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 the reporting of public benefit. It also is 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 must 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 2014–15, 1,320 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 30.1% of our 4,385 2014 full-time home (UK and EU) undergraduate entrants and was similar to 2013–14. 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 Scholarship Programme.

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 2014–15 the University provided £3.5m in means-tested scholarships to support new entrants who might otherwise have been unable to afford the costs of going to university. We also paid a further £4.0m to support 3,295 students continuing their studies.



*Chris Brink*  
Professor Chris Brink

Vice-Chancellor

31

The 2014–15 UK and EU undergraduate financial support of £7.5m for 4,504 undergraduates represents an increase of £600k compared to 2013–14. 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 7,500 undergraduate and postgraduate degrees.

We are the largest research university in the North East. During the calendar year 2014 our academic staff published 4,047 research articles, books, book chapters and conference proceedings, very similar to the 4,130 figure in 2013. Our total research income in 2014–15 was £105.0m.

To support the charitable work of the University, we received £5.9m of charitable donations during 2014–15.

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 is 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 2015

*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; our estate; and information technology. As the University's Chief Operating Officer, I am responsible to the Vice-Chancellor for the leadership and management of its professional support services.

## Students

Total registered students as at 1 December 2014 were 23,864, a 4.3% increase compared with 1 December 2013.

Total students at 1 December	Full time	Part time	2014 Total	2013 Total	Growth %
<b>Undergraduate</b>					
Home and EU	14,030	60	14,090	13,890	1%
Overseas	2,302	9	2,311	2,017	15%
<b>Total</b>	<b>16,332</b>	<b>69</b>	<b>16,401</b>	<b>15,907</b>	<b>3%</b>
<b>Postgraduate</b>					
Home and EU	2,028	1,305	3,333	3,129	7%
Overseas	2,793	146	2,939	2,861	3%
<b>Total</b>	<b>4,821</b>	<b>1,451</b>	<b>6,272</b>	<b>5,990</b>	<b>5%</b>
Taught overseas	1,174	17	1,191	977	22%
<b>Total</b>	<b>22,327</b>	<b>1,537</b>	<b>23,864</b>	<b>22,874</b>	<b>4.3%</b>

Since 2005, Home and EU students have increased by 17% from 14,904 to 17,423, and overseas students have more than doubled from 2,377 to 6,441 (+171%). Total headcount has increased by 38%.

Undergraduate degrees awarded (Summer 2015) were:

Award	2013–14		2014–15	
	Number	% of total	Number	% of total
First class	879	21%	884	20%
Second class, first division	2,145	51%	2,334	53%
Second class, second division	656	15%	654	15%
Third class	53	1%	54	1%
Other	507	12%	487	11%
<b>Total</b>	<b>4,240</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 2014 and 2015.







**AN ARTIST'S  
IMPRESSION OF THE  
URBAN SCIENCES  
BUILDING, SCHEDULED  
TO OPEN IN 2017.**



The Newcastle University Medicine Malaysia (NUMed) campus (opened November 2011) delivers undergraduate Medicine (MB BS), a BSc in Biomedical Sciences and a selection of Masters' degrees. In 2014–15, 475 undergraduate students were enrolled at NUMed.

In collaboration with the Singapore Institute of Technology, the University offers programmes in marine engineering, naval architecture, offshore engineering, mechanical design and manufacturing engineering, chemical engineering, electrical power engineering, and food and human nutrition. In 2014–15 the total number of students was 716.

## Staff

This year we have continued our focus on investment in high-quality talent. Overall, full-time equivalent staff increased by 2.6% from 5,081 at 31 July 2014 to 5,213 at 31 July 2015. These numbers include 115 full-time equivalent staff employed by our overseas subsidiaries (2014: 98).

Further investment is planned for 2015–16, when implementation will take place of a revised positioning of our reader and professor grades to raise quality, improve career development opportunities and enhance market competitiveness.

Staff costs in 2014–15 were £240.4m, compared to £228.2m in 2013–14. The major impact on pay growth over the year was the national 2% pay award effective from 1 August 2014. Other factors included incremental progression, contribution-related payments and bonuses. We also continued our work on fair pay, agreeing a local deal with Unison that will see pay rates for over 400 staff on our lowest pay points increase from August 2015.

We continue to make progress in improving the proportion of staff with formal teaching qualifications, as published by HEFCE. 2013–14 figures show an increase to 39% of academic staff (compared to the sector average of 38%).

As a University, diversity is a fundamental value; commitment to this is outlined in the Equality Strategy.

Progress is being made towards the aim of 30% female professors by 2021, with the professorial population reaching 24.4% female during 2014–15. The University aims to submit an Athena SWAN silver application in 2015 in recognition of our commitment to advancing women's careers in science, technology, engineering, maths and medicine. Academic units have been working towards departmental awards, progressing from two silver and one bronze award to four silver and eight bronze awards. We are awaiting the outcome of seven departmental award applications, and are working towards submitting the remaining two departmental applications.

The University has reached its target of ≥3% of employees who disclose a disability (3.6%), and is working with staff with disabilities to ensure appropriate support is provided for them in the workplace. Small increases in support staff BME population have also been made.

The Vice-Chancellor's Academic Distinction Award recipients for 2015 were Professor Linda Anderson, Professor of Modern English and American Literature; Professor Phil Taylor, Director of the Newcastle University Institute for Sustainability; and Professor Harry Gilbert, Professor of Agricultural Biochemistry in the Institute for Cell and Molecular Biosciences.

Professor Vicki Bruce was announced as Dame Commander of the British Empire, for services to Higher Education and Psychology in the Queen's Birthday Honours List.

Kathryn Tickell, Guest Lecturer in the School of Arts and Cultures, was awarded an OBE for services to folk music.

Professor Chris Day, Pro-Vice-Chancellor for the Faculty of Medical Sciences, has been commissioned as Deputy Lieutenant for the county of Tyne and Wear.

Professor Louise Robinson, Director, Newcastle University Institute for Ageing and Professor of Primary Care and Ageing has been awarded the William Farr Medal 2015.

Professor Phil Blythe, Professor of Intelligent Transport Systems, was appointed as the Department of Transport's Chief Scientific Adviser.

Professor Dave Jones was appointed the National Institute for Health Research's Dean for Faculty Trainees supporting the next generation of health researchers.

The University's work on the development of leadership talent was recognised again this year in the *Times Higher Education* Leadership and Management Awards, winning outstanding Leadership and Management Team for the second time in three years.

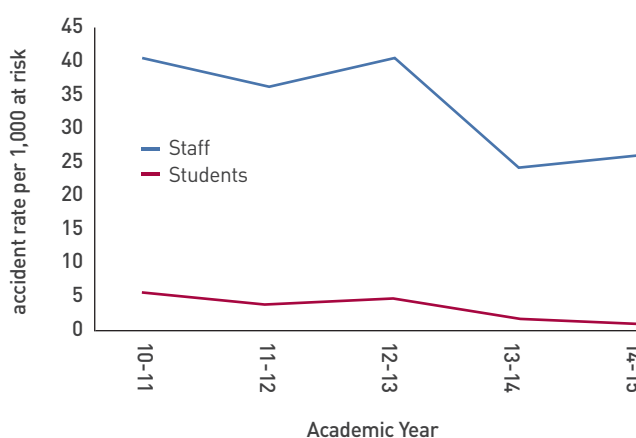


## Health, safety and wellbeing

Sickness absence rates for the University as a whole at 2.2% have risen slightly from 2013–14 (2.0%), but are still below the higher education sector average of 2.6%. The rate varies across staff groups with operational staff being of most concern at a rate of 6.0% (up from 4.9% in 2013–14). A revised sickness absence procedure will be implemented during 2015–16. The University continues its proactive approach to staff wellbeing, promoting healthier lifestyles through a range of health and wellbeing campaigns. This work gained external recognition through the achievement of the 'Continuing Excellence' Better Health at Work Award for the University in 2015.

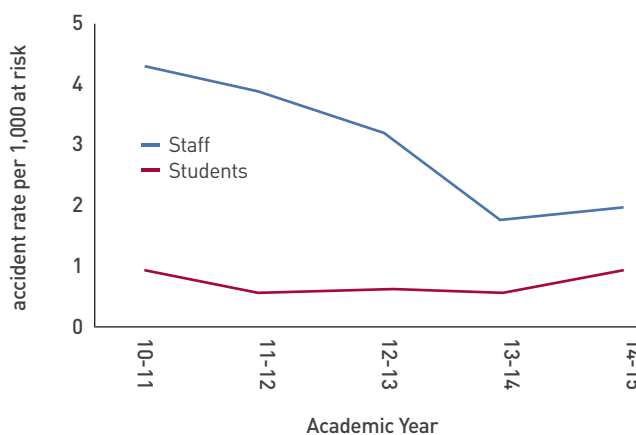
The accident rate (ie the number of workplace accidents per 1,000 staff or students at risk) allows the University to compare its accident performance over time, taking into account the changing number of staff and students associated with the Growth Agenda. There has been a fairly sustained downward trend in the total accident rates for staff and students over the last five years. There was a slight increase in the staff rate for 2014–15. This will be monitored closely to identify any trends.

**Total accident rates for staff and students**



The level of staff and student accident rates reported under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) shows a similar downward trend over this period albeit that there is a slightly more significant increase in 2014–15. The actual numerical difference is small with only four more staff and three more student accidents.

**RIDDOR accident rates for staff and students**



The new online Incident Reporting and Follow-up system was launched on target in May 2015 and user feedback has been positive. Representatives from across the faculties and services contributed to the development of the system and this more robust process should help to sustain the improved accident rates in the longer term.

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

Measure	2010-11	2013-14	Peer Group		Target 2015-16
			2013-14	2014-15	
Floor space in condition category A and B	89%	88%	87%*	89%	89%
Floor space in functional suitability grade 1 and 2	80%	91%	92%*	91%	92%
Net internal area per student and staff FTE (m <sup>2</sup> )	11.4	12.5	12.5*	12.6	12.6

\*Top quartile in our peer group.

The operational estate area is currently 211,344m<sup>2</sup> (net internal area), an increase of 2,948m<sup>2</sup>. We surrendered leases at City Gate and commenced redevelopment of the Line East Building and upper floors of the Crow's Nest Hotel (releasing a total of 3,400m<sup>2</sup>). We completed the acquisition of 89 Sandyford Road to increase the library provision at the University, acquired Black Horse House for future expansion and opened the new Blyth Marine Station. Despite the net increase in operational floor area, space per student and staff FTE has reduced. Energy consumption per m<sup>2</sup> (kWh) has reduced by 5% and energy costs per m<sup>2</sup> by 6.6% compared to 2012-13.

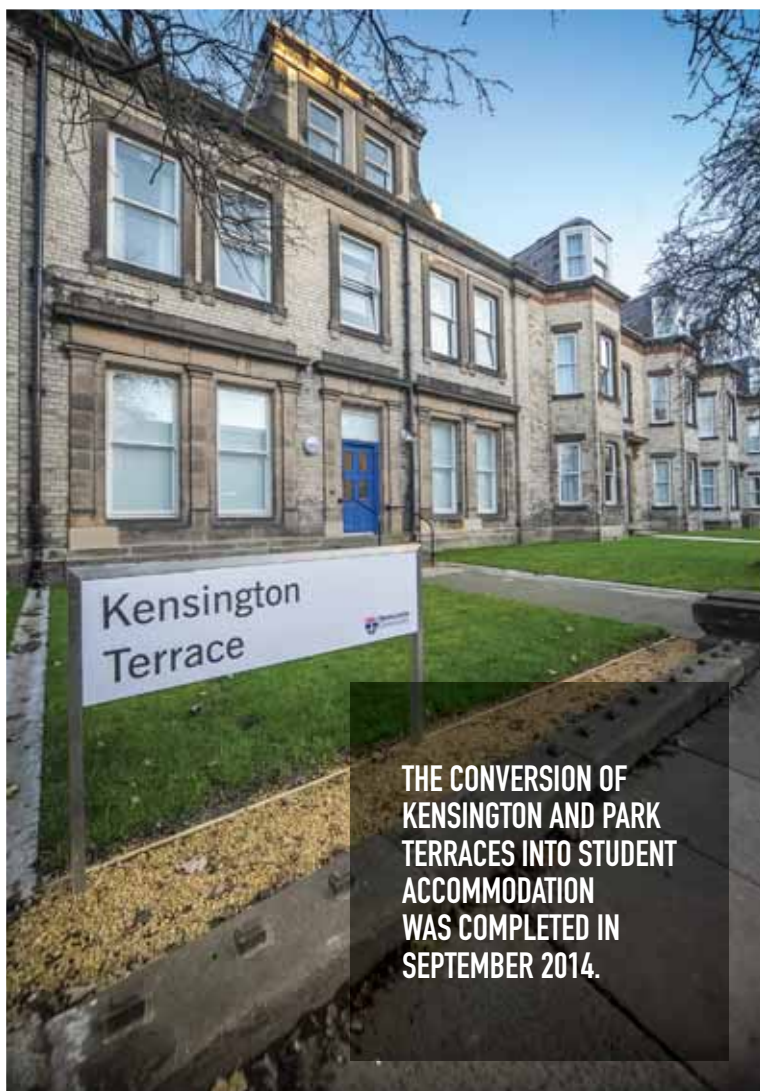
This year we completed the conversion of Kensington and Park Terraces into student residences, provided a new boiler house for Castle Leazes Halls of Residence, completed the refurbishment of the Law Lecture Theatre and installed an external lift to increase accessibility to Merz Court. Phase four of the major refurbishment of the Armstrong Building is due to complete in October 2015 along with the refurbishment and extension of the Henry Wellcome Building including provision of a social mixing space.

We continue to improve the quality of our teaching rooms and have invested £1.9m to improve the student teaching and learning facilities including the upgrading of teaching rooms and lecture theatres, refurbishing teaching labs, computer rooms and student-facing areas. This has increased the functional suitability (grade 1 and 2) to 96% (95% target) and has improved the frequency of use to 58% (60% target).

The principal investment in the sixth year of the Coherent Campus initiative involved improvements to King's Road landscaping incorporating a better environment for pedestrians, sustainable drainage, tree planting and traffic calming.

Major projects in progress include the new Urban Sciences Building, The Key (fabric structure), and the development of a Conference and Learning Centre, all on the Science Central site. Our paediatric oncology activity is to be relocated to new and expanded facilities in the Herschel Building and 89 Sandyford Road is being refurbished.

Off campus we are investing in new subsea and offshore engineering research and development facilities. These include the Neptune National Centre for Subsea and Offshore Engineering (on the North Banks of the Tyne); the Neptune Hyperbaric Test



Centre in partnership with BEL Valves (at the former Spillers Yard at Walker); and development at Port of Blyth, which will include the relocation of the Cavitation Tunnel to purpose-built premises.

There is continued significant investment planned for the future on new builds and major refurbishment projects. Large schemes due to start in the 2015–16 financial year include the creation of a National Centre for Ageing Science and Innovation, redevelopment of student residences in Richardson Road and a project to improve sports facilities across the campus.

## Information technology

The University's new IT service, NUIT, came into operation in August 2014, uniting our central and locally based IT professionals into a single University-wide service. Three pivotal Faculty IT Manager roles have been created to ensure IT services are aligned to academic needs and student expectations, while also driving efficiency through simpler processes.

Student satisfaction with IT services remains high. The National Student Survey question on 'access to general IT resources' scored 92% satisfaction, increasing 1% on the previous year. The International Student Barometer rated Newcastle as highest in the Russell Group for IT, repeating the result from 2014. The Postgraduate Taught Experience Survey has seen satisfaction with IT resources rise from 77% in 2010 to 92% in 2014. The University IT Service Desk has also been accredited with a 3-star award for quality from the globally recognised Service Desk Institute.

The overall availability of our network and services remained high at 99.9%, despite four major network outages affecting some buildings.

The University has made a £3.3m investment in the replacement and expansion of its Wi-Fi service and the replacement of the core data network. Wi-Fi is now available in all long-term University accommodation and pervasive Wi-Fi is currently being rolled out across campus, alongside enhanced visitor Wi-Fi options.

We have secured the long-term provision of an offsite data centre which allows for the most effective use of cloud computing, reduces risk of data loss and enables further server consolidation, supporting the University's green agenda.

Videoconferencing technologies also assist in the reduction of our carbon footprint. At a run-rate of 288 per annum, a 24% increase on 2013–14, the service has saved 1,310 journeys and many miles of travel and staff time.

Learning, teaching and assessment are supported by high-quality technology and facilities. All modules have a presence on the University's virtual learning environment, 'Blackboard'. There were almost 4.5 million log-ins in 2014–15 by more than 30,000 unique users. The ReCap lecture capture service is an important and valued resource to support learning and teaching. There were 24,409 recordings, attracting more than 420,000 views, in 2014–15.

PC cluster logins exceeded 1,369,000 in 2014–15, up 19% from last year. Expansion in PC cluster provision, including the Pop-up Library and the King's Road Centre, keeps facilities available to students as the University grows. Peak weekly usage on the Newcastle University mobile app exceeded 29,000 devices, increasing over 18% from last year. The free allocation of print and photocopy credits to students increased from £12 to £33 in 2014, removing the need for 75% of students to pay for printing services.

Systems and processes to support the REF submission were commended by HEFCE for their effectiveness. Work continues on the research computing required to underpin the more data-intensive science being undertaken across the University.

A joined-up approach to software licensing has enabled significant University-wide benefits, such as free Microsoft Office 365 for all staff and students. Consolidated procurement has also delivered cost and time savings and reduced the risks associated with non-compliance.



# FINANCIAL REVIEW

## FOR THE YEAR ENDED 31 JULY 2015

*RDale*  
Richard Dale

Executive Director  
of Finance

38

The Financial Review (pages 38–42) 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.

### Introduction

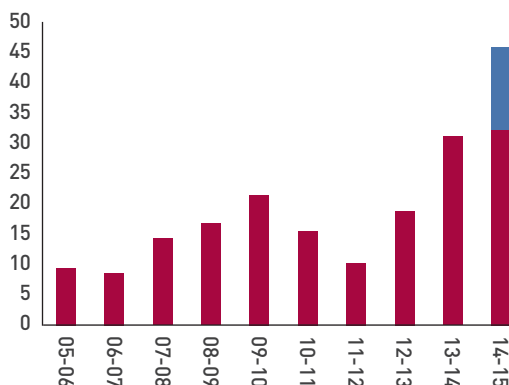
In common with most research-intensive universities, Newcastle University's financial results benefitted from the government's Research and Development Expenditure Credit (RDEC) scheme. This scheme provides for a payment to the University by HMRC of 10–11% of qualifying research expenditure (reduced by 21% as it is deemed to be taxable income). The University received a first payment of £7.9m relating to research activity between the introduction of the scheme on 1 April 2013 and 31 July 2014 and we have accrued £6.0m for the expected payment relating to 2014–15 activity.

The Chancellor of the Exchequer's Budget speech in July 2015 signalled the government's intention to end the

scheme for universities and related institutions with effect from 31 July 2015. The total expected credit of £13.9m (net of tax) is therefore a one-off benefit which the University plans to invest in a scheme to build future research capacity through provision of support to PGR students and early career researchers, with particular support for women.

Excluding this one-off credit, 2014–15 was another very good year for Newcastle University. Continued strong recruitment, the impact of the new fees and funding regime and significant improvements in efficiency and effectiveness all contributed to a strong financial and academic performance. The total surplus (excluding the RDEC credit) increased from £30.3m (6.9% of income) to £31.9m (7.0% of income).

University surplus (£m)  
RDEC credit shown in blue

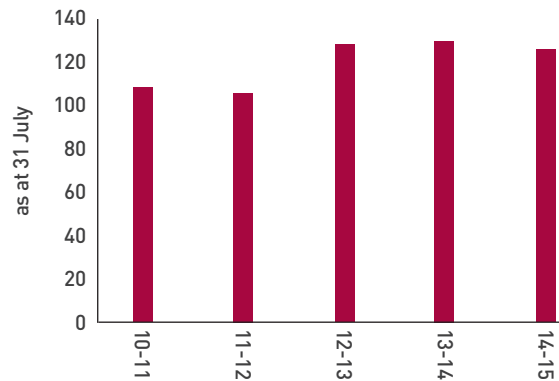




Underlying income (excluding the RDEC credit and adjusting for a change in accounting treatment for some categories of student financial support) grew by 6% and underlying expenditure grew by 6%. Net cash balances reduced by £2.2m from £129.7m to £127.5m,

reflecting a significant increase in capital expenditure as we start the next phase of development of our estate and continue to invest in research and IT infrastructure.

### Net cash balance (£m)

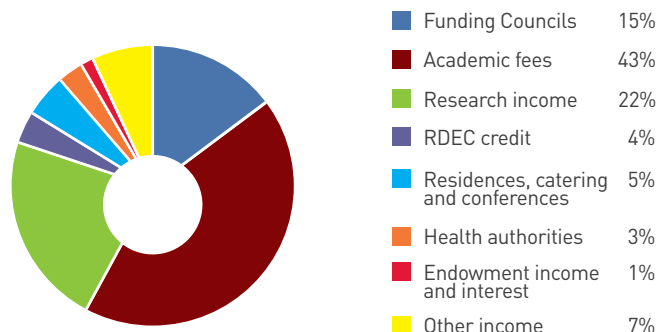


The University's key strategic measure of financial performance is earnings before interest, tax, depreciation and amortisation (EBITDA). Excluding the RDEC credit, EBITDA of £42.3 in 2014-15 was 9.2% of income (2013-14 8.5%) with an average in the past five years of 6.8% of income, compared to our strategic target of 6.0%.

Pipeline indicators suggest this performance will be maintained during 2015-16 and we are reasonably optimistic for future years, despite the strong likelihood of significant cuts in public expenditure in the next few years. The structural changes agreed to the Universities Superannuation Scheme (USS) have reduced the very significant risks which we faced with this scheme.

### Income

Net income grew by 8% from £438.5m to £475.2m. Underlying income (excluding the RDEC credit and adjusting for a change in accounting treatment for some categories of student financial support) grew by 6%. Over the past four years, underlying income has grown by 5% per annum. Key income streams are summarised here.



NEWCASTLE UNIVERSITY  
LONDON CAMPUS OPENED  
IN SEPTEMBER 2015.

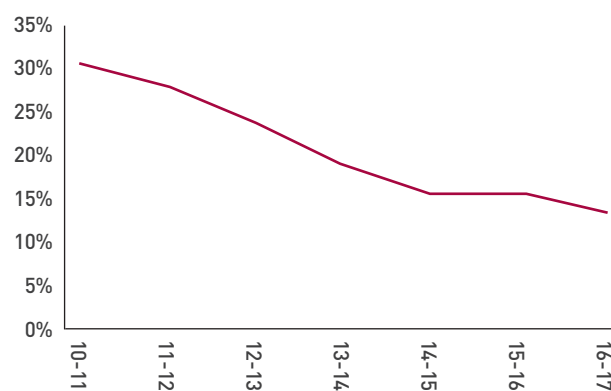


Funding Council grants reduced by £11.6m (14%) year on year reflecting the new funding regime for UK and EU undergraduate students. The reduction was £0.7m more than we had anticipated due to in-year funding cuts announced by HEFCE in July 2015 as a result of reductions in public expenditure announced by the Chancellor of the Exchequer following the general election. Funding Council grants, as a percentage of underlying income declined year on year from 18.7% to 15.4% and are forecast to reduce to 15.1% in 2015–16.

Academic fees from full-time home and EU students increased by 18% from £97.1m to £115.1m, reflecting the significantly higher new student intakes in 2013 and 2014 and the continuing impact of the new £9,000 pa undergraduate tuition fee, partly offset by a change in accounting treatment for some elements of student financial support (£4.7m with an offsetting impact on other operating costs). Income for full-time overseas students taught in the UK increased by 6% from £63.9m to £68.0m, reflecting an 8% increase in student numbers and price increases partly offset by the change in accounting treatment for some elements of student financial support (£2.0m). Fee income at our overseas campuses increased from £12.2m to £14.8m due to continued growth of our MB BS programme in Malaysia and the impact of the second cohort of power engineering students in Singapore.

Excluding the impact of one-off Research and Development Expenditure Credits, research income increased by 3% from £102.0m in 2013–14 to £105.0m in 2014–15. Research Council income increased from £30.9m to £32.3m, UK government and health authority income increased from £20.1m to £21.3m and research income from EU government sources increased from £12.2m to £13.0m.

### Funding Council income as % of net income

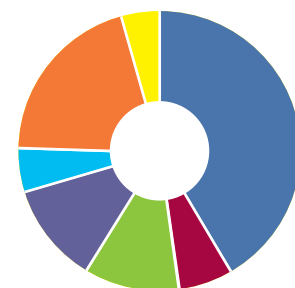


Our joint venture with INTO University Partnerships Ltd continued to make good progress despite the uncertainties presented by the government's approach to visa issues. Income grew by 10% and net surplus grew by 30%, although this was boosted by a number of one-off credits. Our new campus in London will admit its first students in 2015–16 but there were start-up costs in 2014–15, our share of which are reflected in the share of operating profits of joint ventures.

Income from residences, catering and conferences grew by 4% due to the opening of new facilities in Kensington and Park Terraces and price increases, offset by the closure of Henderson New Hall. Several areas included in 'other income' saw growth, notably in donations to the University. Interest receivable reduced from £5.1m to £4.2m, primarily due to a reduction in the pension finance credit required by FRS17.

### Expenditure

Total expenditure increased by 4% from £411.8m to £428.4m. Adjusting for the impact of the change in accounting treatment for some types of student financial support, the underlying increase in expenditure was 5%. Over the past four years, underlying expenditure has grown by 4% per annum. Key expenditure streams are summarised below.



Academic schools	39%	Residences, catering and conferences	5%
Academic services	7%	Research grants and contracts	20%
Administrative and central services	13%	Other	4%
Premises	12%		



Staff costs increased by 5% from £228.2m to £240.4m and represented 53% of underlying net income (2013–14 52%). This is slightly lower than the University's long-term target of 55% of net income and we continue to actively recruit additional academic staff to maintain staff–student ratios as student numbers continue to increase. UK staff costs increased by 5% from £224.3m to £235.5m and non-UK costs increased from £3.9m to £4.9m due to continued expansion of our campuses in Singapore and Malaysia. Our worldwide headcount increased by 2.6% during the year (UK 2.3%, non-UK 17.3%); UK non-clinical staff received a 2% pay rise from 1 August 2014 with additional increases for our staff on the lowest pay bands (there was no general increase for clinical staff) and, as required by FRS17, there was an additional charge of £2.3m for pension costs relating to our local scheme.

Other operating expenses increased slightly from £169.4m to £171.0m. Adjusting for the impact of the change in accounting treatment for some types of student financial support, the underlying increase in expenditure was £8.3m (5%). Expenditure on non-capital estates projects increased by £2.8m (76%) after an unusually low level of activity in 2013–14, student bursary payments increased by £2.1m (22%) reflecting the commitments made in our access agreement and direct research costs increased by £1.3m (4%) in line with the growth in income. These increases were partly offset by one-off credits and price reductions on utility costs.

Depreciation increased by 22% from £11.6m to £14.1m, reflecting the sharply higher level of equipment capital expenditure during the year.

## 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). The Joint Negotiating Committee of Universities UK and the Universities and Colleges Union (as representatives of the employers and employees respectively) have agreed a number of structural changes to the scheme which will be implemented during 2016. In addition, there will be an increase of 2% in employer contributions from 16% of salary to 18% of salary and increases in employee contributions from 1 April 2016. Newcastle University accounts for approximately 1.8% of the total active membership of the USS. The structural changes which have been agreed will

reduce the very significant risks which we faced with this scheme. 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. The new FRS102 accounting standards, which will be adopted for reporting in 2015–16, will require a balance sheet provision to be made for the discounted future obligation to make deficit recovery payments.

An actuarial loss of £24.0m has been recognised in the Statement of Consolidated Total Recognised Gains and Losses, as required by FRS17. This relates to the RBP, the local pension scheme for support staff, and the basis for the loss is fully documented in note 32 to the accounts. It is primarily due to the reduction in real discount rate from 1.0% at 31 July 2014 to 0.4% at 31 July 2015, partly offset by a higher than expected return on assets during the year. 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 2014 showing a small increase in this surplus to £10.9m.

## Balance sheet

University capital expenditure in 2014–15 was £37.0m. This is £9.0m lower than in 2013–14 but the previous year included £24.1m in relation to the Malaysian campus following the inception of the finance lease during the year with underlying UK capital investment increasing from £21.7m to £37.0m.

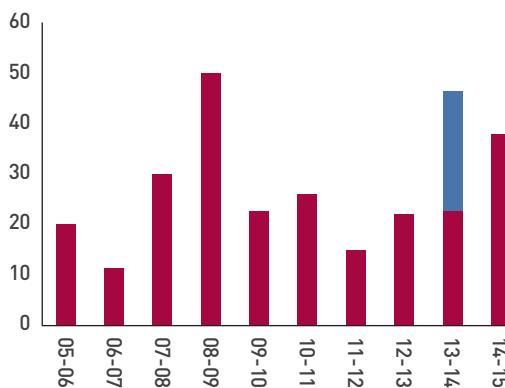
The increase in expenditure reflects a significant increase in investment in IT and research infrastructure with equipment purchases growing from £6.0m to £11.3m.

Major land and buildings projects during the year included the purchase of 89 Sandyford Road, which is being refurbished to provide additional library accommodation, completion of additional student residential accommodation at Kensington and Park Terraces, the continuing programme to restore the historic Armstrong Building to its former glory, projects for the Institute of Neuroscience and the Schools of Computing Science and Law, development of the Neptune National Centre for Offshore and Subsea Engineering and provision of teaching facilities to enable reintroduction of physics as a degree programme at Newcastle. There were also design and other preliminary costs for our planned developments at Science Central and Richardson Road.

There were £15.6m of outstanding capital commitments as at 31 July 2015 (2014: £17.5m) with a further £166.1m authorised but not contracted (2014: £69.4m). Our current financial plans indicate £64m capital expenditure in 2015–16, comprising £34m non-residential development on the main campus, £15m work on Science Central, £4m residential developments and £11m equipment.

Net cash balances reduced by £2.2m from £129.7m to £127.5m, reflecting the increase in capital expenditure.

**Capital expenditure (£m)**  
*Malaysia campus finance lease shown in blue*





## Treasury

At 31 July 2015, the University had £148.8m short-term cash investments (2014: £153.1m). 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. This volatility has increased as we have become more dependent on receipts from the Student Loans Company. 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. Our policy is set in full recognition that we may reduce potential interest income to mitigate the continued potential risk in the financial services sector.

At 31 July 2015, the University had £62.0m of endowments (2014: £57.6m). 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, a task group has been set up to review the University's investment in fossil fuel companies in the context of the University's institutional carbon strategy as a whole.

## Outlook

We expect continuing strong financial performance in 2015–16 in line with strong recruitment trends, particularly for home students.

Looking further ahead, the longer term picture is one of considerable uncertainty. We are concerned about the impact of future reductions in HEFCE and Research Council funding, the uncertainties presented by the planned EU referendum and the very negative messages being presented by some parts of the government on recruitment of non-EU students. It is clear that, if we are to maintain academic staff–student ratios (which we believe critical to student experience and research excellence), we will need to take action to improve our support processes and gain better value for money from our procurement activity. A programme of work has started to address this imperative.

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**

43

The Corporate Governance Statement (pages 43–47) 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.

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 that 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.

## 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 45–46.

Council undertakes annual reviews of its effectiveness. During 2015 we are reviewing our governance systems in light of *The Higher Education Code of Governance* published by the Committee of University Chairs in December 2014. The review is not yet complete but the Working Group has undertaken a full analysis of the University's current governance arrangements and practices against the new code. The University complies with all seven primary elements in the code and the compulsory elements. Further work is required to improve Council's awareness of the University's approach to fundraising and to improve the diversity of Council membership. These issues will be addressed in the next few months.

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 2014–15 were:

Mr Mark l'Anson (Chair) <sup>1</sup>  
Professor Chris Brink <sup>2</sup>  
Dr John Appleby <sup>2</sup>  
Ms Claire Boothman <sup>3</sup>  
Mr Neil Braithwaite <sup>1</sup>  
Mr Mike Davison <sup>1</sup>  
Mr Jonathan Glass <sup>1</sup>  
Professor Deborah Henderson <sup>2</sup>  
Ms Jacqui Henderson (Vice-Chair) <sup>1</sup>  
Mr Robert Hull <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>  
Mr David Morris <sup>3</sup>  
Dr Ole Pederson <sup>2</sup>  
Mr Simon Pleydell <sup>1</sup>  
Professor Tony Stevenson <sup>2</sup>  
Mr Paul Walker <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

Much of the detailed work is routed through committees of Council. The following 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 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, HESA and other public bodies. Members during 2014–15 were:

Mr Mike Davison (Chair)  
Mr Jonathan Glass  
Mr Robert Hull  
Dr Mike Laker  
Ms Angela Woodburn

## 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 2014–15 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 2014–15 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

When considering possible recommendations, Nominations Committee will take into account the skills mix of existing Council members. Particular attention has been paid during the year to improving the gender mix. This will be reflected in the new lay members for 2015–16.

## Remuneration Committee

Remuneration Committee considers the remuneration and terms and conditions of senior members of staff. Members during 2014–15 were:

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

## 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 2014–15 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 Steve Homans  
(Pro-Vice-Chancellor – Science, Agriculture and Engineering)

Professor Neill Marshall  
(Acting Pro-Vice-Chancellor – Humanities and Social Sciences)

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

Dr John Hogan (Registrar)

Mr Richard Dale  
(Executive Director of Finance)

Mrs Veryan Johnston  
(Executive Director of Human Resources)

## Student voice

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 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.

## 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 are as follows:

### General

- to be responsible for ensuring the effective management of the University and to take all final decisions on matters of fundamental concern, being decisions that have not been delegated to the Vice-Chancellor
- to safeguard the good name and values of the University
- to contribute to the development of, and approve the mission and strategic vision of, the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders
- subject to the powers of Senate, to take such steps as it thinks proper to advance the interests of the University, maintain its efficiency, and encourage teaching, the pursuit of learning and the conduct of research within it
- to ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions
- to establish processes to monitor and evaluate the performance and effectiveness of Council itself
- to delegate authority to the Vice-Chancellor, as Chief Executive, for the academic, corporate, financial, estate and personnel management of the University, whilst recognising the additional accountability of the Vice-Chancellor to HEFCE. Council's scheme of delegation shall be kept under regular review
- to make such provision as it thinks fit for the general welfare of students, where appropriate through Senate
- to conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life embracing selflessness, integrity, objectivity, accountability, openness, honesty and leadership

- to ensure procedures are in place for handling internal grievances, whistle-blowing and for managing conflicts of interest

### Finance

- to be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate
- to ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment
- as part of the financial governance role
  - to ensure that funds from HEFCE are used only in accordance with the Further and Higher Education Act 1992, the Memorandum of Financial Assurance and Accountability between HEFCE and institutions, and any other conditions that HEFCE may from time to time prescribe
  - to ensure that reasonable discretion is exercised in the use of public funds and account taken of any relevant guidance on accountability, sustainability or propriety
  - to be responsible for delivering value for money from public funds, taking into account guidance on good practice

### Employment

- to appoint, in accordance with the relevant statutes
  - the Vice-Chancellor and to put in place suitable arrangements for monitoring his/her performance
  - a Registrar, who is also secretary to Council, ensuring that there is an appropriate separation in the lines of accountability
  - a Deputy Vice-Chancellor
  - one or more Pro-Vice-Chancellors
  - the Pro-Vice-Chancellors/Provosts

and in each case to determine the conditions of appointment



- to be the employing authority for all staff in the University. This includes ultimate responsibility for
  - approving the human resources strategy
  - determining the conditions of appointment of the staff of the University, after consultation with Senate when required
  - the welfare of University staff
  - establishing, suspending or abolishing any post in the University, except those posts specifically created by the statutes, after consultation with Senate
  - appointing members of staff of the University, on the recommendation of Senate when required

### Compliance

- to be the University's legal authority and, as such, to ensure that systems are in place for meeting all of its legal obligations, including those which relate to health and safety and equal opportunities and which arise from contracts and other legal commitments made in its name
- to ensure that the University complies with any wishes attached to any property, legacy, endowment, bequest or gift in support of the work and welfare of the University
- to ensure that the University'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 2015 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 2015 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, the Statement of Consolidated Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the Reconciliation of Net Cash Flow to Movement in Net Funds and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 auditors' 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 auditors

As explained more fully in the Statement of Responsibilities of Council in the Preparation of the Financial Statements (set out on page 46), 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.

We are also required to report to you whether, in our opinion, funds, from whatever source, administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with the terms and conditions attached to them and whether income has, in all material respects, been applied in accordance with the relevant legislation and with the Financial Memorandum with HEFCE.

In addition, we read all the financial and non-financial information contained in the Strategic Report, Operating and Financial Review and Corporate Governance Statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 University and of the Group as at 31 July 2015 and of the surplus of the Group'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; 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 applicable regulations

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 Financial Memorandum with HEFCE

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control, included as part of the Corporate Governance Statement, is inconsistent with our knowledge of the University and Group

**Ernst & Young LLP**  
**Statutory Auditor**  
**Edinburgh**  
**22 October 2015**

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

---

In accordance with FRS18 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 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 2015.

Details of the University's subsidiary and associated undertakings, investment in joint ventures and other investments are provided in notes 13 and 14 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 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 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.

## 4. Recognition of income

Income from 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 is credited to the income and expenditure account in the period in which it is earned.

Charitable donations which have no specific terms attached to them are classified as expendable and unrestricted. The income from such donations is recognised in the income and expenditure account when received. Charitable donations which have specific terms attached to them are accounted for as endowment funds unless the purpose is the purchase and/or construction of tangible fixed assets whereby the donation is treated as a deferred capital grant.

Endowment funds are classified as either expendable, where the capital element can be converted into income, or permanent, where the capital element must be permanently maintained. Income from expendable endowments is included in the income and expenditure account 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 income and expenditure account to the extent of the related expenditure during the year.

Recurrent grants from the Funding Councils are recognised 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 amortised 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 Training and Development Agency for Schools and of Access Funds from the Higher Education Funding Council for England. Related payments received from the Training and Development Agency for Schools and the Higher Education Funding Council for England and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in notes 30 and 31 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

### 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 or, where there are related forward foreign exchange contracts, at contract rates. All exchange differences are taken to the income and expenditure account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against foreign equity investments which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to those borrowings are also dealt with in reserves.

### Group

The financial statements of subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other exchange differences are taken to income and expenditure with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises which are taken directly to reserves together with the exchange difference on the net investments in the enterprises. Tax charges and credits attributable to those borrowings are also dealt with in reserves.

## 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. Accounting for goodwill and intangible fixed assets

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition. Goodwill is amortised over its estimated economic life. Where goodwill and intangible assets are regarded as having limited useful economic lives, they are amortised over those lives up to a maximum of 20 years. Impairment tests are carried out at the end of the first year and thereafter subject to normal periodic reviews for indications of impairment. Where there is impairment in the carrying value of goodwill and intangible fixed assets, the loss is incurred in the results for the period. Positive purchased goodwill is capitalised and classified as an asset on the balance sheet. Negative goodwill is separately disclosed on the face of the balance sheet in fixed assets and is released to the income and expenditure account.

## 9. 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 (generally 50 years), and leasehold land over the life of the lease. Major refurbishments are depreciated over their expected useful lives to the University (generally 25 years).

Where buildings are acquired with the aid of specific grants they are capitalised 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 capitalised 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 £25,000 per individual item or group of related items and all software costs are written off to the income and expenditure account in the year of acquisition. 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

Where equipment is acquired with the aid of specific grants it is capitalised 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.

### c. 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.

## 10. Investments

Fixed asset investments that are not listed on a recognised 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. The asset value is represented by endowment reserves which is separated into permanent and expendable. Notes to the accounts further analyse the endowments into the capital element and unapplied return.

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

## 11. Assets held for resale

Tangible fixed assets surplus to requirements are held at the lower of cost and net realisable value.

## 12. Stocks

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

## 13. Provisions

Provisions are recognised 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.

## 14. 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) (RBP) 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. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes.

A small number of staff remain in other pension schemes.

The University is unable to identify its share of the underlying assets and liabilities of the USS on a consistent and reliable basis and, therefore, as required by FRS17, accounts for this scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The 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 the income and expenditure account within staff costs, and the expected return on the scheme's assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within interest receivable/payable. Actuarial gains and losses, including differences between the expected and actual return on scheme assets are recognised, net of the related deferred tax, in the Statement of Total Recognised Gains and Losses.

## 15. Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 2011 and as such is a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478–488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

## 16. 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 2015

<b>INCOME</b>	<b>Note</b>	<b>2015 £m</b>	<b>2014 £m</b>
Funding Council grants	1	70.4	82.0
Academic fees and support grants	2	205.7	179.8
Research grants and contracts	3	122.6	102.0
Other operating income (including share of joint ventures)	4	83.3	79.6
Endowment income and interest receivable	5	5.5	6.4
Total income		<u>487.5</u>	<u>449.8</u>
Less: share of income from joint ventures	14	(12.3)	(11.3)
Net income		<u>475.2</u>	<u>438.5</u>
<b>EXPENDITURE</b>			
Staff costs	6	240.4	228.2
Other operating expenses	7	171.0	169.4
Depreciation	11	14.1	11.6
Amortisation	12	0.1	–
Interest payable	8	2.8	2.6
Total expenditure	9	<u>428.4</u>	<u>411.8</u>
Surplus after depreciation of fixed assets at cost and before tax		46.8	26.7
Share of operating profit in joint ventures and associated undertakings	14	1.4	2.3
Operating surplus		<u>48.2</u>	<u>29.0</u>
Taxation	10	(3.9)	(0.3)
Surplus after depreciation of fixed assets at cost and tax		<u>44.3</u>	<u>28.7</u>
Deficit for the year transferred to endowment funds	20	(1.5)	(1.6)
Surplus for the year retained within general reserves	21	<u>45.8</u>	<u>30.3</u>

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

# Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2015

	Note	2015 £m	2014 £m
Surplus after depreciation of fixed assets at cost and tax		44.3	28.7
Appreciation of endowment asset investments	20	5.5	3.1
New endowments net of transfers out of expendable endowments	20	0.4	0.9
Actuarial loss relating to the pension scheme	32	(24.0)	(26.4)
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<u>26.2</u>	<u>6.3</u>
Reconciliation:			
Opening reserves and endowments		217.6	211.3
Total recognised gains for the year		26.2	6.3
Closing reserves and endowments		<u>243.8</u>	<u>217.6</u>

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

# Balance Sheets

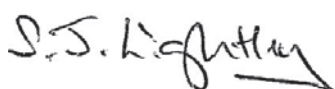
as at 31 July 2015

	Note	CONSOLIDATED		UNIVERSITY	
		2015 £m	2014 £m	2015 £m	2014 £m
<b>FIXED ASSETS</b>					
Tangible assets	11	292.0	271.5	272.3	248.8
Intangible assets	12	0.3	–	0.3	–
Investments	13	0.1	0.1	19.8	17.6
Investment assets – joint ventures and associated undertakings	14				
Share of gross assets – joint ventures		25.9	24.1	–	–
Share of gross liabilities – joint ventures		(9.6)	(9.2)	–	–
Share of net assets – associated undertakings		0.2	–	–	–
		<u>308.9</u>	<u>286.5</u>	<u>292.4</u>	<u>266.4</u>
<b>ENDOWMENT ASSET INVESTMENTS</b>	15	<u>62.0</u>	<u>57.6</u>	<u>62.0</u>	<u>57.6</u>
<b>CURRENT ASSETS</b>					
Stocks in hand		0.1	0.1	0.1	0.1
Debtors	16	62.3	36.7	62.0	39.3
Short-term liquid deposits		148.8	153.1	148.8	153.1
Cash at bank and in hand		13.6	14.8	10.8	9.6
		<u>224.8</u>	<u>204.7</u>	<u>221.7</u>	<u>202.1</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	17	<u>(100.2)</u>	<u>(110.2)</u>	<u>(97.7)</u>	<u>(107.6)</u>
<b>NET CURRENT ASSETS</b>		<u>124.6</u>	<u>94.5</u>	<u>124.0</u>	<u>94.5</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		495.5	438.6	478.4	418.5
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	18	<u>(37.9)</u>	<u>(40.4)</u>	<u>(17.1)</u>	<u>(17.8)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		457.6	398.2	461.3	400.7
<b>PENSION LIABILITY</b>	32	<u>(69.0)</u>	<u>(45.1)</u>	<u>(69.0)</u>	<u>(45.1)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>388.6</u>	<u>353.1</u>	<u>392.3</u>	<u>355.6</u>
<b>DEFERRED CAPITAL GRANTS</b>	19	144.7	135.4	144.7	135.4
<b>ENDOWMENTS</b>					
Permanent	20	42.6	39.7	42.6	39.7
Expendable	20	19.4	17.9	19.4	17.9
		<u>62.0</u>	<u>57.6</u>	<u>62.0</u>	<u>57.6</u>
<b>RESERVES</b>					
General reserve excluding pension liability		250.8	205.1	254.6	207.7
Pension liability	32	<u>(69.0)</u>	<u>(45.1)</u>	<u>(69.0)</u>	<u>(45.1)</u>
General reserve including pension liability	21	<u>181.8</u>	<u>160.0</u>	<u>185.6</u>	<u>162.6</u>
<b>MINORITY INTEREST</b>		0.1	0.1	–	–
<b>TOTAL FUNDS</b>		<u>388.6</u>	<u>353.1</u>	<u>392.3</u>	<u>355.6</u>

The financial statements were approved by Council on 19 October 2015 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 2015

	Note	2015 £m	2014 £m
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	22	16.8	40.3
Returns on investments and servicing of finance	23	(0.3)	2.5
Taxation		(0.1)	(0.1)
Capital expenditure and financial investment	24	(21.2)	(16.9)
Cash (outflow) / inflow before use of liquid resources and financing		(4.8)	25.8
Management of liquid resources			
– cash decrease / (increase) in short-term deposits		4.3	(45.1)
Financing – decrease in fixed-term loans	25	(1.0)	(1.0)
Decrease in cash in the period		(1.5)	(20.3)
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
Decrease in cash in the period		(1.5)	(20.3)
(Decrease) / increase in short-term deposits		(4.3)	45.1
Repayment of debt		1.0	1.0
Change in net funds resulting from cash flows		(4.8)	25.8
Decrease / (increase) in finance leases		2.6	(24.9)
Movement in net funds		(2.2)	0.9
Net funds at 1 August		129.7	128.8
Net funds at 31 July	26	127.5	129.7

Included within net funds and creditors: amounts falling due within one year (note 17) are cash balances of £9.9m (2014 £10.2m) that relate to, and are ring-fenced for, collaborative research projects.

# Notes to the Accounts

	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
<b>1 FUNDING COUNCIL GRANTS</b>		
HEFCE recurrent grant	62.3	73.3
HEFCE specific grants	5.3	5.6
HEFCE deferred capital grants released in year		
– Buildings	2.8	2.8
– Equipment	–	0.2
Teaching Agency specific grant	–	0.1
	<u>70.4</u>	<u>82.0</u>
<b>2 ACADEMIC FEES AND SUPPORT GRANTS</b>		
Full-time students	115.1	97.1
Full-time students charged overseas fees, UK taught	68.0	63.9
Full-time students charged overseas fees, overseas taught	14.8	12.2
Part-time fees	2.5	2.3
Research training support grants	3.0	2.9
Short courses	2.3	1.4
	<u>205.7</u>	<u>179.8</u>
<b>3 RESEARCH GRANTS AND CONTRACTS</b>		
Research Councils	32.3	30.9
UK-based charities	24.6	24.9
European Commission	13.0	12.2
Other grants and contracts	35.1	34.0
Research Development Expenditure Credit Scheme	17.6	–
	<u>122.6</u>	<u>102.0</u>
<b>4 OTHER OPERATING INCOME</b>		
Residences, catering and conferences	24.9	23.9
Other services rendered	5.1	4.9
Health authorities	12.1	12.4
Share of income from joint ventures	12.3	11.3
Other income	28.9	27.1
	<u>83.3</u>	<u>79.6</u>
<b>5 ENDOWMENT INCOME AND INTEREST RECEIVABLE</b>		
Income from permanent endowments (note 20)	0.9	0.9
Income from expendable endowments (note 20)	0.4	0.4
Pension finance interest (note 32)	2.4	3.5
Income from short-term investments	1.8	1.6
	<u>5.5</u>	<u>6.4</u>



## Notes to the Accounts (continued)

<b>6 STAFF</b>	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
<b>STAFF COSTS</b>		
Wages and salaries	186.2	176.8
Social security costs	15.3	14.6
Other pension costs	36.6	35.1
FRS17 pension service cost adjustment	2.3	1.7
	<u>240.4</u>	<u>228.2</u>
	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Emoluments of the Vice-Chancellor:		
Salary	244.8	224.2
Benefits in kind	–	1.4
	<u>244.8</u>	<u>225.6</u>
Pension contributions	61.7	56.4
	<u>306.5</u>	<u>282.0</u>
<b>STAFF NUMBERS</b>		
	<b>2015</b>	<b>2014</b>
	<b>Average FTEs</b>	<b>Average FTEs</b>
Academic	1,379	1,318
Support	2,751	2,666
Research	1,040	1,009
	<u>5,170</u>	<u>4,993</u>
Remuneration of higher paid staff, excluding the Vice-Chancellor and employer's pension contributions (clinical staff numbers in brackets):		
	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
£100,000–£109,999	18 (8)	16 (7)
£110,000–£119,999	17 (8)	15 (9)
£120,000–£129,999	12 (4)	12 (9)
£130,000–£139,999	12 (9)	17 (11)
£140,000–£149,999	8 (7)	13 (12)
£150,000–£159,999	9 (9)	8 (7)
£160,000–£169,999	12 (12)	5 (4)
£170,000–£179,999	7 (6)	11 (11)
£180,000–£189,999	6 (6)	5 (5)
£190,000–£199,999	3 (3)	1 (1)
£200,000–£209,999	3 (3)	2 (2)
£210,000–£219,999	4 (4)	5 (4)
£220,000–£229,999	–	1 (1)
£230,000–£239,999	1 (1)	1 (1)
	<u>112</u>	<u>112</u>

## Notes to the Accounts (continued)

### 7 OTHER OPERATING EXPENSES

	2015 £m	2014 £m
Building maintenance and renewals	13.7	11.5
Student-related expenditure	25.5	28.8
Consumables and laboratory expenditure	17.5	17.4
Staff-related expenditure	28.5	27.3
Non-capitalised equipment purchases and maintenance	17.5	17.6
Heat, light, water and power	10.2	9.4
Residences, catering and conference operating expenses	9.0	8.3
Professional fees	4.2	4.1
Books and periodicals	5.3	5.1
Students' Union annual subvention	1.7	1.5
Operating lease rentals – land and buildings	6.7	8.0
Other expenses	31.2	30.4
	<u>171.0</u>	<u>169.4</u>

Professional fees include auditor's remuneration in respect of audit services for the Group of £92,775 to Ernst & Young LLP (2014: £88,080) and for the University of £58,400 (2014: £55,100). In respect of non-audit services (mainly grant certification work) remuneration amounted to £30,000 (2014 £57,750) for the Group and University. The comparatives for the year ended 31 July 2014 have been restated to give a more appropriate reflection of the true nature of the costs. There is no impact on the total expenditure levels.

### 8 INTEREST PAYABLE

	2015 £m	2014 £m
On loans not wholly repayable within five years	0.8	0.9
On finance leases	2.0	1.7
	<u>2.8</u>	<u>2.6</u>

### 9 ANALYSIS OF 2014–15 EXPENDITURE BY ACTIVITY

	Staff Costs £m	Other Operating Expenses £m	Depreciation and Amortisation £m	Interest Payable £m	Total £m
Academic schools	129.5	33.5	1.6	–	164.6
Academic services	15.5	15.4	0.8	–	31.7
Administration and central services	22.6	34.6	0.1	–	57.3
Premises	8.7	33.0	7.3	2.2	51.2
Residences, catering and conferences	5.2	12.9	1.2	0.6	19.9
Research grants and contracts	51.0	33.6	3.0	–	87.6
Other expenditure	7.9	8.0	0.2	–	16.1
Total per income and expenditure account	<u>240.4</u>	<u>171.0</u>	<u>14.2</u>	<u>2.8</u>	<u>428.4</u>

The depreciation and amortisation charge has been funded by:

Deferred capital grants released	6.8
General income	7.4
	<u>14.2</u>

Administration and central services includes £18.9m (2014: £15.9m) in respect of payments made to students for bursaries, prizes, scholarships or other similar awards. Following guidance issued by HESA there has been some reclassification of other operating expenses during the year so that payments to students are now allocated to administration and central services rather than academic schools.

## Notes to the Accounts (continued)

### 10 TAXATION

	2015 £m	2014 £m
Republic of Singapore corporation tax at 17% (2014 – 17%)	0.1	0.1
Republic of Singapore withholding tax at 17% (2014 – 17%)	0.1	0.2
United Kingdom corporation tax at average rate of 21% (2014 – 20%)	3.7	–
	<u>3.9</u>	<u>0.3</u>

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

### 11 TANGIBLE 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 2014	164.1	124.0	19.0	27.7	67.6	402.4
Additions	7.7	–	0.5	17.5	11.3	37.0
Foreign exchange retranslation	–	(2.1)	–	–	–	(2.1)
Transfers from assets under construction	18.9	1.1	–	(20.0)	–	–
Disposals	(0.6)	–	–	–	(2.0)	(2.6)
Balance at 31 July 2015	<u>190.1</u>	<u>123.0</u>	<u>19.5</u>	<u>25.2</u>	<u>76.9</u>	<u>434.7</u>
<b>DEPRECIATION</b>						
Balance at 1 August 2014	37.3	29.1	5.6	–	58.9	130.9
Charge for year	4.0	2.8	0.9	–	6.4	14.1
Eliminated on disposals	(0.3)	–	–	–	(2.0)	(2.3)
Balance at 31 July 2015	<u>41.0</u>	<u>31.9</u>	<u>6.5</u>	<u>–</u>	<u>63.3</u>	<u>142.7</u>
<b>NET BOOK VALUE</b>						
At 31 July 2015	<u>149.1</u>	<u>91.1</u>	<u>13.0</u>	<u>25.2</u>	<u>13.6</u>	<u>292.0</u>
At 1 August 2014	<u>126.8</u>	<u>94.9</u>	<u>13.4</u>	<u>27.7</u>	<u>8.7</u>	<u>271.5</u>
Financed by Funding Council capital grants	25.5	59.2	–	11.7	0.3	96.7
Other	123.6	31.9	13.0	13.5	13.3	195.3
	<u>149.1</u>	<u>91.1</u>	<u>13.0</u>	<u>25.2</u>	<u>13.6</u>	<u>292.0</u>

The net book value of assets held under finance leases at 31 July 2015 is £19.6m (2014 £22.5m) and the related depreciation charge for the year was £0.8m (2014 £0.8m).

# Notes to the Accounts (continued)

## 11 TANGIBLE 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 2014	164.0	100.7	19.0	27.7	66.5	377.9
Additions	7.7	–	0.5	17.5	11.3	37.0
Transfers from assets under construction	18.9	1.1	–	(20.0)	–	–
Disposals	(0.6)	–	–	–	(2.0)	(2.6)
Balance at 31 July 2015	<u>190.0</u>	<u>101.8</u>	<u>19.5</u>	<u>25.2</u>	<u>75.8</u>	<u>412.3</u>
<b>DEPRECIATION</b>						
Balance at 1 August 2014	37.3	28.3	5.6	–	57.9	129.1
Charge for year	4.0	2.1	0.9	–	6.2	13.2
Eliminated on disposals	(0.3)	–	–	–	(2.0)	(2.3)
Balance at 31 July 2015	<u>41.0</u>	<u>30.4</u>	<u>6.5</u>	<u>–</u>	<u>62.1</u>	<u>140.0</u>
<b>NET BOOK VALUE</b>						
At 31 July 2015	<u>149.0</u>	<u>71.4</u>	<u>13.0</u>	<u>25.2</u>	<u>13.7</u>	<u>272.3</u>
At 1 August 2014	<u>126.7</u>	<u>72.4</u>	<u>13.4</u>	<u>27.7</u>	<u>8.6</u>	<u>248.8</u>
Financed by Funding Council capital grants	25.5	59.2	–	11.7	0.3	96.7
Other	123.5	12.2	13.0	13.5	13.4	175.6
	<u>149.0</u>	<u>71.4</u>	<u>13.0</u>	<u>25.2</u>	<u>13.7</u>	<u>272.3</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.

## 12 INTANGIBLE ASSETS

### CONSOLIDATED

### UNIVERSITY

	2015	2014	2015	2014
	£m	£m	£m	£m
<b>COST</b>				
Balance at 1 August 2014	–	–	–	–
Additions	0.4	–	0.4	–
Balance at 31 July 2015	<u>0.4</u>	<u>–</u>	<u>0.4</u>	<u>–</u>
<b>AMORTISATION</b>				
Balance at 1 August 2014	–	–	–	–
Charge for year	0.1	–	0.1	–
Balance at 31 July 2015	<u>0.1</u>	<u>–</u>	<u>0.1</u>	<u>–</u>
<b>NET BOOK VALUE</b>				
At 31 July 2015	<u>0.3</u>	<u>–</u>	<u>0.3</u>	<u>–</u>

During the year the University paid £400,000 for open access to a suite of cloud-based software packages.

## Notes to the Accounts (continued)

### 13 FIXED ASSET INVESTMENTS

	CONSOLIDATED		UNIVERSITY	
	2015 £m	2014 £m	2015 £m	2014 £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	13.9	10.3
Additions – Newcastle Science Central LLP	–	–	1.5	–
Other additions in year	–	–	0.7	3.6
At cost 31 July	<u>0.1</u>	<u>0.1</u>	<u>16.1</u>	<u>13.9</u>
Total fixed asset investments	<u>0.1</u>	<u>0.1</u>	<u>19.8</u>	<u>17.6</u>

### 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
	%	
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 venture INTO Newcastle University LLP.
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 Enterprises Limited (*)	100	This company is dormant.
NUINTO Limited	51	Provides the teaching of English language skills.

(\*) For the year ending 31 July 2015 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)

### OTHER INVESTMENTS OTHER THAN LOANS

	Percentage of voting rights	CONSOLIDATED		UNIVERSITY	
		2015 £m	2014 £m	2015 £m	2014 £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	–	–	–	–
		<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>

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 Accounts (continued)

### 14 INVESTMENT IN JOINT VENTURES AND ASSOCIATED UNDERTAKINGS

INTO Newcastle University LLP is a joint venture between the University and INTO University Partnerships Limited. A 50% share of the LLP's gross assets and liabilities is included in the University's consolidated balance sheet and 50% of its net income is reported in the University's consolidated income and expenditure account. 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 £4,075 (2014: £86,031) was due from the University to INTO Newcastle University LLP.

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 50% share of the LLP's losses to date is reported in the University's consolidated income and expenditure account and the University's interest in the gross assets and liabilities of the LLP is included in the University's consolidated balance sheet.

INTO Newcastle University London LLP is a joint venture between the University and INTO University Partnerships Limited. A 50% share of the LLP's gross assets and liabilities is included in the University's consolidated balance sheet and 50% of its net income is reported in the University's consolidated income and expenditure account. 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 £123,547 (2014: £Nil) was due from INTO Newcastle University London LLP to the University.

During the year the group acquired a 24% holding in Neptune Test Centre Limited, whose principal activity is the creation of a Centre of Excellence for Hyperbaric Testing in Newcastle. This holding has been treated as an associated undertaking, a 24% share of the company's losses to date is reported in the consolidated income and expenditure account 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 (2014: £Nil) was due from Neptune Test Centre Limited to the University.

<b>Consolidated Income and expenditure account</b>	<b>CONSOLIDATED</b>	
	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
Share of income from joint venture – INTO Newcastle University LLP	12.3	11.3
Share of operating profit from joint venture – INTO Newcastle University LLP	3.0	2.4
Share of operating loss from joint venture – Newcastle Science Central LLP	(0.1)	(0.1)
Share of operating loss from joint venture – INTO Newcastle University London LLP	(1.4)	–
Share of operating loss from associated undertaking – Neptune Test Centre Limited	(0.1)	–
	<u>1.4</u>	<u>2.3</u>
<b>Consolidated balance sheet</b>		
Share of gross assets from joint venture – INTO Newcastle University LLP	10.1	10.3
Share of gross assets from joint venture – Newcastle Science Central LLP	15.3	13.8
Share of gross assets from joint venture – INTO Newcastle University London LLP	0.5	–
	<u>25.9</u>	<u>24.1</u>
Share of gross liabilities from joint venture – INTO Newcastle University LLP	(8.0)	(8.8)
Share of gross liabilities from joint venture – Newcastle Science Central LLP	(0.5)	(0.4)
Share of gross liabilities from joint venture – INTO Newcastle University London LLP	(1.1)	–
	<u>(9.6)</u>	<u>(9.2)</u>
Share of net assets from associated undertaking – Neptune Test Centre Limited	<u>0.2</u>	<u>–</u>

## Notes to the Accounts (continued)

### 15 ENDOWMENT ASSET INVESTMENTS

	CONSOLIDATED AND UNIVERSITY	
	2015 £m	2014 £m
At 1 August	57.6	55.2
Additions	18.9	18.2
Disposals	(19.7)	(19.9)
Net appreciation on disposals and on revaluation	5.5	3.1
Increase / (decrease) in cash balances	(0.3)	0.2
Increase / (decrease) in other current asset balances	–	0.8
At 31 July	<u>62.0</u>	<u>57.6</u>
Fixed interest stock and equities	61.3	56.6
Bank balances	1.2	1.5
Other current balances	(0.5)	(0.5)
	<u>62.0</u>	<u>57.6</u>

### 16 DEBTORS

	CONSOLIDATED		UNIVERSITY	
	2015 £m	2014 £m	2015 £m	2014 £m
Trade debtors	19.5	13.6	19.3	13.5
Accrued income on research grants and contracts	14.1	14.6	14.1	14.6
Amounts owed by subsidiary undertakings	–	–	2.6	3.9
Prepayments and accrued income	26.9	7.6	24.9	6.6
Other debtors	1.8	0.9	1.1	0.7
	<u>62.3</u>	<u>36.7</u>	<u>62.0</u>	<u>39.3</u>

Contained within amounts owed by subsidiary undertakings is an amount of £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 due from Neptune Test Centre Limited which is repayable after more than one year.

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

	CONSOLIDATED		UNIVERSITY	
	2015 £m	2014 £m	2015 £m	2014 £m
Fixed-term loans	1.0	1.0	1.0	1.0
Obligations under finance leases	1.5	2.3	–	–
Payments received on account	37.2	42.7	37.2	42.7
Research collaborator creditors	9.9	10.2	9.9	10.2
Other creditors	6.9	6.7	6.9	6.7
Social security and other taxation payable	5.6	5.5	5.6	5.5
Accruals and deferred income	38.1	41.8	37.1	41.5
	<u>100.2</u>	<u>110.2</u>	<u>97.7</u>	<u>107.6</u>

## Notes to the Accounts (continued)

### 18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	CONSOLIDATED		UNIVERSITY	
	2015 £m	2014 £m	2015 £m	2014 £m
Fixed-term, unsecured loans repayable by 2029	12.8	13.8	12.8	13.8
Accruals and deferred income	4.3	4.0	4.3	4.0
Obligations under finance leases	20.8	22.6	–	–
	<u>37.9</u>	<u>40.4</u>	<u>17.1</u>	<u>17.8</u>

	Effective Interest Rate %	CONSOLIDATED AND UNIVERSITY	
		2015 £m	2014 £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	2.7
Academic buildings loan due after one year but not more than five years	5.67	1.2	1.2
		<u>3.9</u>	<u>3.9</u>
Student residences loan due after more than five years	5.98	6.3	7.0
Academic buildings loan due after more than five years	5.67	2.6	2.9
		<u>12.8</u>	<u>13.8</u>

Both loans are repayable quarterly in instalments of £170,000 and £75,000 respectively for the student residences and academic buildings.

### 19 DEFERRED CAPITAL GRANTS

	CONSOLIDATED AND UNIVERSITY		
	Funding Council £m	Other Grants and Benefactions £m	Total £m
At 1 August			
Buildings	89.3	42.2	131.5
Equipment	0.3	3.6	3.9
	<u>89.6</u>	<u>45.8</u>	<u>135.4</u>
Amounts received			
Buildings	9.9	1.4	11.3
Equipment	–	4.8	4.8
	<u>9.9</u>	<u>6.2</u>	<u>16.1</u>
Released to income and expenditure account			
Buildings	2.8	0.9	3.7
Equipment	–	3.1	3.1
	<u>2.8</u>	<u>4.0</u>	<u>6.8</u>
At 31 July			
Buildings	96.4	42.7	139.1
Equipment	0.3	5.3	5.6
	<u>96.7</u>	<u>48.0</u>	<u>144.7</u>



## Notes to the Accounts (continued)

### 20 ENDOWMENTS

#### CONSOLIDATED AND UNIVERSITY

	Unrestricted Permanent £m	Restricted Permanent £m	Total Permanent £m	Restricted Expendable £m	2015 Total £m	2014 Total £m
At 1 August						
Capital	2.7	16.5	19.2	10.7	29.9	29.0
Unapplied return	2.7	17.8	20.5	7.2	27.7	26.2
	<u>5.4</u>	<u>34.3</u>	<u>39.7</u>	<u>17.9</u>	<u>57.6</u>	<u>55.2</u>
New endowments	–	–	–	0.5	0.5	0.9
Transfer out from expendable endowments	–	–	–	(0.1)	(0.1)	–
Appreciation of endowment asset investments	0.5	3.3	3.8	1.7	5.5	3.1
	<u>0.5</u>	<u>3.3</u>	<u>3.8</u>	<u>2.1</u>	<u>5.9</u>	<u>4.0</u>
Income	0.1	0.8	0.9	0.4	1.3	1.3
Expenditure	(0.2)	(1.6)	(1.8)	(1.0)	(2.8)	(2.9)
	<u>(0.1)</u>	<u>(0.8)</u>	<u>(0.9)</u>	<u>(0.6)</u>	<u>(1.5)</u>	<u>(1.6)</u>
At 31 July	<u>5.8</u>	<u>36.8</u>	<u>42.6</u>	<u>19.4</u>	<u>62.0</u>	<u>57.6</u>
Represented by:						
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>

### 21 GENERAL RESERVE

#### CONSOLIDATED

#### UNIVERSITY

	2015 £m	2014 £m	2015 £m	2014 £m
At 1 August	160.0	156.1	162.6	157.0
Surplus retained for the year	45.8	30.3	47.0	32.0
Actuarial (loss) on pension scheme	(24.0)	(26.4)	(24.0)	(26.4)
At 31 July	<u>181.8</u>	<u>160.0</u>	<u>185.6</u>	<u>162.6</u>

The impact of FRS17 retirement benefits is detailed fully within note 32 of these financial statements.

### 22 RECONCILIATION OF SURPLUS BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £m	2014 £m
Surplus after depreciation of fixed assets at cost and before tax	46.8	26.7
Depreciation	14.1	11.6
Amortisation	0.1	–
Profit on disposal of freehold land and buildings	(1.1)	(2.1)
Deferred capital grants released to income	(6.8)	(5.8)
Profit distribution from INTO Newcastle University LLP	2.3	1.8
Investment income	(3.1)	(2.9)
Interest payable	2.8	2.6
Difference between FRS17 net pension charge and cash contributions	(0.1)	(1.8)
(Increase) / decrease in debtors	(25.3)	1.1
(Decrease) / increase in creditors	(12.9)	9.1
Net cash inflow from operating activities	<u>16.8</u>	<u>40.3</u>

## Notes to the Accounts (continued)

### 23 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2015 £m	2014 £m
Income from endowments	1.3	1.3
Other interest received	1.5	2.1
Interest paid	(3.1)	(0.9)
Net cash inflow from returns on investments and servicing of finance	<u>(0.3)</u>	<u>2.5</u>

### 24 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2015 £m	2014 £m
Purchase of tangible fixed assets	(37.0)	(21.9)
Purchase of intangible fixed assets	(0.4)	–
Payments to acquire long-term investments	(2.5)	(2.4)
Payments to acquire endowment assets	(18.9)	(18.2)
Total fixed and endowment asset investments acquired	<u>(58.8)</u>	<u>(42.5)</u>
Receipts from sale of endowment assets	19.7	19.9
Receipts from sale of freehold land and buildings	1.4	2.2
Deferred capital grants received	16.1	2.6
New endowments – net of transfers out of expendable endowments	<u>0.4</u>	<u>0.9</u>
Net cash outflow from capital expenditure and financial investment	<u>(21.2)</u>	<u>(16.9)</u>

### 25 ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	£m
At 1 August 2013	15.8
New finance leases	24.9
Capital repayments – fixed-term loans	(1.0)
At 31 July 2014	<u>39.7</u>
Foreign exchange retranslation of finance leases	(2.3)
Finance lease instalments paid	(2.3)
Finance lease interest payable	2.0
Capital repayments – fixed-term loans	(1.0)
At 31 July 2015	<u>36.1</u>

### 26 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2014 £m	Cash Flows £m	Other Changes £m	At 31 July 2015 £m
Cash at bank and in hand:				
Endowment asset investments (note 15)	1.5	(0.3)	–	1.2
Others	14.8	(1.2)	–	13.6
	<u>16.3</u>	<u>(1.5)</u>	<u>–</u>	<u>14.8</u>
Short-term investments	153.1	(4.3)	–	148.8
Debt due within one year	(1.0)	1.0	(1.0)	(1.0)
Debt due after one year	(13.8)	–	1.0	(12.8)
Finance leases due within one year	(2.3)	2.3	(1.5)	(1.5)
Finance leases due after one year	<u>(22.6)</u>	<u>–</u>	<u>1.8</u>	<u>(20.8)</u>
	<u>129.7</u>	<u>(2.5)</u>	<u>0.3</u>	<u>127.5</u>

## Notes to the Accounts (continued)

### 27 CAPITAL COMMITMENTS

	<b>CONSOLIDATED AND UNIVERSITY</b>	
	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
Commitments contracted at 31 July	15.6	17.5
Authorised but not contracted at 31 July	166.1	69.4
	<u>181.7</u>	<u>86.9</u>

### 28 CONTINGENT LIABILITIES

The University has five nomination agreements relating to student accommodation. The expiry dates and nominated rooms are: 2015–16 239 beds; 2018–19 256 beds; 2021–22 257 beds; 2021–22 329 beds; 2028–29 90 beds and the charges in respect of these rooms should be fully recovered from student residential income.

### 29 LEASE OBLIGATIONS

	<b>CONSOLIDATED AND UNIVERSITY</b>	
	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
Amounts due under finance leases:		
Amounts payable		
Within one year	1.5	2.3
In two to five years	7.2	7.6
In more than five years	50.8	58.3
	<u>59.5</u>	<u>68.2</u>
Less: finance charges allocated to future periods	(37.2)	(43.3)
	<u>22.3</u>	<u>24.9</u>
Annual rentals under operating lease commitments are as follows:	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
Leases expiring:		
In two to five years	0.8	0.7
Over five years	5.6	5.5
	<u>6.4</u>	<u>6.2</u>

### 30 ACCESS FUNDS

	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
Balance unspent at 1 August	0.2	0.1
Funding Council grants	–	0.2
	<u>0.2</u>	<u>0.3</u>
Disbursements	(0.2)	(0.1)
Balance unspent at 31 July	<u>–</u>	<u>0.2</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.

### 31 TEACHING AGENCY

	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
Training bursaries:		
Balance overspent at beginning of year	(0.1)	–
Grant	1.4	1.2
Disbursements	(1.4)	(1.3)
Balance due from Teaching Agency at 31 July	<u>(0.1)</u>	<u>(0.1)</u>

The above training bursaries from the Teaching Agency (TA) are available solely for students in initial teacher training; the University acts only as paying agent. The bursaries and related disbursements are therefore excluded from the income and expenditure account.

## Notes to the Accounts (continued)

### 32 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 (2014: £2.0m). This includes £0.3m (2014: £0.2m) outstanding contributions at the balance sheet date.

The total pension cost for the University was:

	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
Contributions to USS	28.6	27.5
Contributions to RBP including FRS17 adjustment	8.2	7.3
Contributions to NHSS	2.1	2.0
Total pension cost (note 6)	<u>38.9</u>	<u>36.8</u>
Pension finance interest (note 5)	(2.4)	(3.5)
Total pension cost including pension finance interest	<u>36.5</u>	<u>33.3</u>

#### 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 £8.2m (2014: £7.3m). The contribution payable by the University was 13.25% of pensionable salaries. There were no outstanding contributions at the balance sheet date.

The impact of FRS17 resulted in the following movements:

	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
Increase in staff costs	(2.3)	(1.7)
Pension finance income	2.4	3.5
Impact on the income and expenditure account for the year	<u>0.1</u>	<u>1.8</u>
Actuarial loss relating to the pension scheme	(24.0)	(26.4)
Decrease in total recognised gains and losses for the year	(23.9)	(24.6)
Pension liability at 1 August	(45.1)	(20.5)
Pension liability at 31 July	<u>(69.0)</u>	<u>(45.1)</u>

The expected employer contribution to the plan during the next accounting year is £6.1m.

A full actuarial valuation was carried out as at 1 August 2013 and updated to 31 July 2015 by a qualified independent actuary.

The major assumptions used by the actuary were:

	<b>Year ended</b>	<b>Year ended</b>
	<b>31 July 2015</b>	<b>31 July 2014</b>
Discount rate at year end	3.55%	4.20%
Expected return on plan assets at year end	N/A	6.60%
Future salary increases	3.65%	3.70%
RPI inflation	3.15%	3.20%
CPI inflation	2.05%	2.20%
Life expectancy of current pensioners (from age 65)	24.1	23.9
Life expectancy of future pensioners (from age 65)	25.6	25.4

## Notes to the Accounts (continued)

### 32 PENSION ARRANGEMENTS (continued)

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

	Value at 31 July 2015 £m	Asset Allocation %	Value at 31 July 2014 £m	Asset Allocation %
Equities	82.2	42	75.1	42
Bonds	72.7	37	60.7	33
Property	13.8	7	13.9	8
Absolute return fund	22.2	11	24.0	13
Cash	6.5	3	7.9	4
Fair value of assets	197.4		181.6	
Present value of obligations	(266.4)		(226.7)	
Funded status	(69.0)		(45.1)	
Net pension liability	<u>(69.0)</u>		<u>(45.1)</u>	

#### Analysis of the amount charged to operating surplus

	2015 £m	2014 £m
Current service cost	8.2	7.3
Interest on obligation	9.5	8.9
Expected return on plan assets	(11.9)	(12.4)
Total operating charge	<u>5.8</u>	<u>3.8</u>

#### Change in defined benefit obligation

	2015 £m	2014 £m
Opening defined benefit obligation	226.7	193.2
Service cost (including employee contributions)	8.5	7.6
Interest cost	9.5	8.9
Actuarial losses	30.4	26.0
Benefits paid	(8.7)	(9.0)
Closing defined benefit obligation	<u>266.4</u>	<u>226.7</u>

#### Change in fair value of plan assets

	2015 £m	2014 £m
Opening fair value of plan assets	181.6	172.7
Expected return	11.9	12.4
Actuarial gains / (losses)	6.4	(0.4)
Contributions by employer	5.9	5.6
Contributions by employee	0.3	0.3
Benefits paid	(8.7)	(9.0)
Closing fair value of plan assets	<u>197.4</u>	<u>181.6</u>

# Notes to the Accounts (continued)

## 32 PENSION ARRANGEMENTS (continued)

### 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 fund administered by the trustee, Universities Superannuation Scheme Limited.

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 FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The total pension cost for the University was £28.6m (2014: £27.5m). This includes £Nil (2014: £2.4m) outstanding contributions at the balance sheet date. The contribution rate payable by the University was 16% (2014: 16%) of pensionable salaries.

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 and is currently being audited by the scheme auditor. Based on this 2014 valuation, it is expected that employer contributions will increase to 18% from 1 April 2016.

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.

A contingent liability exists in relation to the pension valuation recovery plan since the company is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the company is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet. The associated receivable from the scheme in respect of the reimbursement of the company's expenditure is similarly not recognised.

FRS17 liability numbers have been produced using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

## Notes to the Accounts (continued)

### 32 PENSION ARRANGEMENTS (continued)

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 2009 projections with a 1.25% long-term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long-term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

#### Scheme Summary

	2015	2014
Scheme assets	£49.0bn	£41.6bn
FRS17 liabilities	£67.6bn	£55.5bn
FRS17 deficit	£18.6bn	£13.9bn
FRS17 funding level	72%	75%

## Notes to the Accounts (continued)

### 33 RELATED PARTIES

The University had transactions with a number of organisations which fell within the definition of Related Parties under FRS8 'Related Party Disclosures'. In accordance with FRS8 no disclosure has been made of intra-group transactions and balances eliminated on consolidation. 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>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</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	(0.2)	–	–	Net fees for student accommodation and other services.
Newcastle Science Company Limited	0.2	0.2	–	–	Partner funding.
Newcastle Science Central LLP	(0.1)	(0.1)	0.1	–	Recharges for infrastructure works.
Five Quarter Energy Limited	–	–	0.2	0.2	Loan to spin out.
Demuris Limited	0.1	–	0.2	0.2	Loan to spin out and trading.
Alcyomics Limited	0.1	–	0.1	0.1	Loan to spin out.
INEX Microtechnology Limited	–	–	0.2	0.2	Loan to spin out.
Royenface Limited	–	–	0.1	–	Loan to spin out.
<b>Other organisations</b>					
Newcastle University Students' Union	1.4	1.7	0.1	–	Students' Union subvention and fees for other services.
The University of Newcastle upon Tyne Development Trust	(1.8)	(1.8)	–	–	Endowment income distribution.
The Newcastle upon Tyne Hospitals NHS Trust	(9.7)	(14.0)	2.3	1.0	University representation on Trust Board. NHS/academic staff recharges.
International Centre for Life	2.7	2.5	–	–	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	(9.0)	(9.3)	0.1	0.1	Medical Research Council research funding.
Professor A Boddy, Leukaemia and Lymphoma Research Panel member (2014 only);	–	(1.4)	–	0.3	Research funding.
Technology Strategy Board (2014 only)	–	(1.4)	–	0.1	Research funding.
Professor C Brink, Russell Group Board Director;	0.1	0.1	–	–	Russell Group subscription.
Universities UK	(1.0)	(2.1)	–	–	Science Without Borders.
Mr M Davison, non-executive director	0.3	0.1	–	–	City Hospitals Sunderland.
Mr R Dale, EPSRC Adult and Risk Assurance Committee member	(13.1)	(16.2)	–	(0.2)	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 £6,866 (2014: £3,503).

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



## Five-year Summary

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
<b>INCOME</b>					
Funding Council grants	70.4	82.0	96.9	106.4	116.2
Academic fees and support grants	205.7	179.8	144.5	116.4	106.3
Research grants and contracts	122.6	102.0	93.4	86.0	88.5
Other operating income	71.0	68.3	65.4	66.1	68.1
Endowment income and interest receivable	5.5	6.4	5.1	4.6	3.1
<b>Total income</b>	<u>475.2</u>	<u>438.5</u>	<u>405.3</u>	<u>379.5</u>	<u>382.2</u>
<b>EXPENDITURE</b>					
Staff costs	240.4	228.2	218.8	210.3	204.3
Other operating expenses	171.0	169.4	152.2	151.5	145.6
Grant to Students' Union	–	–	–	–	7.8
Exceptional impairment of fixed asset	–	–	7.5	–	–
Depreciation and amortisation	14.2	11.6	9.9	9.5	9.6
Interest payable	2.8	2.6	0.9	1.0	1.1
<b>Total expenditure</b>	<u>428.4</u>	<u>411.8</u>	<u>389.3</u>	<u>372.3</u>	<u>368.4</u>
<b>Surplus after depreciation of assets but before tax</b>	46.8	26.7	16.0	7.2	13.8
Share of operating profit in joint ventures and associated undertakings	1.4	2.3	1.6	1.3	1.0
<b>Operating surplus</b>	48.2	29.0	17.6	8.5	14.8
Taxation	(3.9)	(0.3)	–	–	–
<b>Surplus after depreciation of assets and tax</b>	<u>44.3</u>	<u>28.7</u>	<u>17.6</u>	<u>8.5</u>	<u>14.8</u>
Deficit for the year transferred to endowment funds	(1.5)	(1.6)	(0.7)	(1.3)	(0.6)
<b>Surplus for the year retained within general reserves</b>	<u>45.8</u>	<u>30.3</u>	<u>18.3</u>	<u>9.8</u>	<u>15.4</u>
<b>Capital expenditure</b>	<u>37.0</u>	<u>46.0</u>	<u>21.3</u>	<u>14.8</u>	<u>24.9</u>
<b>Net funds</b>	<u>127.5</u>	<u>129.7</u>	<u>128.8</u>	<u>102.1</u>	<u>104.8</u>





**We would like to thank the following for  
the use of their illustrative material:**

Chris Bishop; John Donoghue; Hawkins\Brown;  
Chris Henderson; Paul Jones; Mitochondrial  
Research Group, Newcastle University;  
Shruti Shrestha; Shutterstock; Mike Urwin.

Newcastle University  
Newcastle upon Tyne  
NE1 7RU  
United Kingdom

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

Designed by Smith Creative, Newcastle upon Tyne.  
Printed by Potts Print (UK), Northumberland.

© Newcastle University, 2015.  
The University of Newcastle upon Tyne trading as Newcastle University.

