

Contents

Operating and Financial Review	2
Corporate Strategy	2
Operating Highlights and Academic Review	3
Financial Review	4
Corporate Responsibility, Estate and Environment	7
Statement of Corporate Governance and Internal Control	8
<hr/>	
Register of Board Members and Professional Advisors	11
<hr/>	
Statement of Primary Responsibilities of the Governing Body	12
<hr/>	
Independent Auditors' Report to the Governing Body of Northumbria University	13
<hr/>	
Statement of Principal Accounting Policies	15
<hr/>	
Consolidated Income and Expenditure Account	17
<hr/>	
Consolidated Statement of Historical Cost Surpluses and Deficits	18
<hr/>	
Statement of Group Total Recognised Gains and Losses	19
<hr/>	
Balance Sheets	20
<hr/>	
Consolidated Cash Flow Statement	21
<hr/>	
Notes to the Accounts	22

Operating and Financial Review

Corporate Strategy

Northumbria University has invested on a sustained basis in recent years to enhance the quality of its research, innovation and teaching. The University is now striving to build on academic achievements nationally and internationally, and to support its central role in economic development and regeneration. It will be doing so in a changed economic context. The past twelve months have been extremely turbulent for both the markets and the public purse, and will impose significant financial tests on organisations in Britain in the short to medium term.

The Vice Chancellor is in the process of leading a major review of the University's Corporate Strategy through to 2014, which sets out ambitious and forward looking priorities for Northumbria University.

Corporate Strategy: Priorities and Objectives

● Research

The University will increase the range, quality and impact of its research, leading the research agenda in an increasing number of areas. Research-driven excellence will come to inform all aspects of its academic activity.

● Innovation and Enterprise

The University will use the knowledge it creates to enable businesses and organisations to innovate, strengthening its engagement and delivering added value through knowledge transfer activity.

● Learning, Teaching and the Student Experience

The University will continue to provide an outstanding student experience. Learning and Teaching will be informed by research and, where appropriate, by professional practice, supported by excellent facilities and information infrastructures. Northumbria's graduates will be enterprising, employable and able to make a powerful contribution to society, culture and the economy throughout the world.

● Region and Engagement

The University will engage with organisations and communities in the City and Region, nationally and internationally, increasingly adding value through collaboration and accessibility.

● Internationalisation

Northumbria will respond to the challenges of globalisation, increasing its international profile and global impact. The University will ensure that students have the knowledge and skills to succeed in a global economy.

● Widening Participation and Fair Access

Northumbria will ensure its portfolio and curriculum is attractive, open and accessible to people of all ages and backgrounds, promoting equality and diversity.

● Management, Governance and Resources

The University's management and governance procedures will be robust and transparent and ensure the effective and efficient delivery of strategic objectives.

Risk Analysis

A risk assessment has been carried out against each of the individual priorities and objectives detailed in the Corporate Strategy. The key financial risks include:

- Reduction of Government funding, following the recent announcement that growth in total public funding would be limited to 0.7% for up to three years after 2011. In addition, savings of £5 billion would be made in 2010/11 and the additional savings identified by the Operating Efficiency Programme over the next Spending Review period would rise to £9 billion a year by 2013/14.
- The current economic climate also means that businesses and charities are looking to save costs, so there may be a reduction in the potential income from research grants and contracts.
- The University's largest single cost is staffing, with the expectation of potential future pay costs and associated increases in pension contributions, the impact of which will be continually monitored and managed.
- The University must have regard to the potential impact if the cap is lifted from the variable tuition fees for full time undergraduates, along with the changes in the demographic profile of teenagers, which indicate that there will be fewer available to move into Higher Education and the

University must be prepared to react to any changes in the stability of international markets important to the University.

- The abrupt decline of the banking sector reducing the availability of funds and increasing the cost of borrowing to the Sector.

Operating Highlights and Academic Review

The University is the largest higher education institution in the North East of England and, with 3,600 staff, is one of the region's major employers. Its operating scale – in terms of research, teaching and enterprise – is both regionally and nationally significant.

The quality of the University's research and enterprise was confirmed in the 2008 Research Assessment Exercise. Northumbria was the most improved university in the North of England, with 'world-leading' work identified in eleven of the twelve areas submitted.

Notable research awards in 2008/09 included funding from the Technology Strategy Board, to develop an integrated solution for public information and advocacy services through multi-media channels, and a Research Councils UK award to investigate health and well-being in older people with partners at Manchester, Sheffield and Newcastle Universities. The University was also awarded joint funding for engineering research with Cambridge University and Imperial College.

The University also established a research, teaching and enterprise base at Islington in London for its School of Design.

Within its region, the University continued to be the major provider of high-calibre graduates to the professions, the public services, business and the creative and digital industries. Northumbria provided 27% of all student places in the North East region. Approximately 79% of Northumbria Full-Time and Sandwich students are from the North East.

Northumbria is actively involved in the development of regional strategic capacity, in line with Regional Development Agency priorities, and in developing the North East England Regional Leadership Framework. The University has substantial contracts with local employers for leadership education, and longstanding

accreditation and programmes with professional bodies.

A large proportion of Northumbria University's graduates remain in the North East of England, in high quality employment, contributing to the region's expertise, creativity and flair.

Excellent teaching quality was once again recognised externally in 2008/09, with degree courses in the School of Education declared 'outstanding' by OFSTED.

Northumbria University had a total of 34,018 students this year with 28,864 Undergraduates and 5,154 Postgraduates. Northumbria University continues to be successful in International Recruitment, with 7,377 students from overseas, studying either in Newcastle upon Tyne, or enrolled on Northumbria degree courses delivered in other countries.

Access for mature students is supported by a successful Higher Education Foundation Certificate.

The University's annual intake of overseas students, from more than 140 nations, contributed to the region's international earnings and to its cultural diversity. The University partners with over 120 institutions in the UK and overseas for the articulation, delivery and award of Northumbria degrees, including St George's University, Grenada, with a twice-yearly intake of medical students for the first year of the Doctor of Medicine (MD) degree, the Ministry of Education in Egypt, for professional development of qualified teachers, and the Malaysian Allied Health Science Academy College (MAHSA).

The University has invested in partnerships and establishing bonds with a wider variety of public bodies. It has also invested in its city and region. Northumbria University is committed to delivering 396 new student bed spaces by 2012, with the potential to increase this by a further 1,410 once the schemes are fully evaluated and approved, along with the largest indoor sports facility in the North East opening in June 2010, at a cost of £31m. The facility will include a twenty five metre, six lane swimming pool, a climbing wall, a fitness/wellbeing suite and 2,600 seat arena. Alongside this it will have a complementary research application, under the auspices of the School of Psychology and Sport Science, and will provide first class leisure amenities for students, staff and the community.

Student achievement included 44 accolades from industry and academic bodies in Design, as well as

Operating and Financial Review (continued)

prestigious undergraduate and postgraduate prizes for architecture, nursing and midwifery, business, science and the arts, finance and law.

Summary of Achievements:

- 'World leading' work was identified in 11 of the 12 subject areas submitted in the Research Assessment Exercise 2008.
- Work judged to be 'internationally excellent' was identified in all 12 submissions.
- The University embarked upon a £17m, three year programme of investment in up to 100 new research active staff, with 40 posts advertised this year.
- Northumbria achieved the maximum level of funding from the government's Higher Education Innovation Fund.
- 96% of full-time degree students were in work or further study within six months of graduating.
- Northumbria University was the fifth biggest provider of Higher Education places to international students within the United Kingdom.
- In 2008/09 the University offered degree courses in 30 of the 32 most popular subjects.

Financial Review

2008/09 Financial Summary

- Income up 7.9% to £199.7 million
- Historical cost surplus for the year, up 55.6% to £15.9 million
- Investment in staffing increased by £6.3 million to £110.6 million
- Cash of £28.4 million generated from operating activities
- Capital expenditure of £35.6 million, internally funded without the need to increase bank borrowing
- Net worth £124.8 million, down by £13.2 million
- FRS17 net pension liability rose by £33.2 million to £81.5 million, with £0.9 million charged to operating expenditure

- £96.0 million of bank finance available via a Revolving Credit Facility (RCF) with the University's bankers

Finance Plan

Northumbria is a successful and ambitious University, already delivering internationally recognised research, providing a high quality learning and teaching experience for its students, underpinned and delivered by a motivated workforce. The University has a track record of diversifying and growing its income streams, managing its cost base and returning a surplus that creates the financial headroom for investment in activities of strategic importance. The University's robust approach to the management of its finances must continue, given the expenditure commitments of the new Corporate Strategy, at a time when there is continuing uncertainty within the UK Higher Education sector with the potential of the cap being removed from top-up fees, the clear prospect of Government funding cuts in Higher Education as well as the ever increasing global competition for international students.

The Finance Plan needs to be fully effective to underpin the priorities and objectives of the Corporate Strategy. To achieve this, the University aims to recover the true costs across its activities as a whole, and is investing in its infrastructure (physical, human and intellectual) at a rate that is adequate to maintain its future productive capacity.

The provision of appropriate financial information to help make business decisions is at the heart of the Finance Plan, which is the responsibility of all senior managers, executives and Governors of the University.

Financial Performance

These audited accounts have been prepared in accordance with the 2007, Statement of Recommended Practice: Accounting for Further and Higher Education and also complies with the HEFCE accounts direction (16/2008). The consolidated results of the University are summarised below:

Results for the Year

	£m 2008/09	£m 2007/08
Income	199.7	185.0
Expenditure	(186.2)	(175.4)
Surplus on Continuing Operations	13.5	9.6
Loss on Disposal and Diminution of Fixed Assets	–	(1.1)
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	2.4	1.7
Historical Cost Surplus for the Year	15.9	10.2
<i>Surplus Percentage</i>	<i>7.9%</i>	<i>5.5%</i>

Income

Income of the University rose by £14.7 million to £199.7 million, reflecting consistent growth from all major sources of income. In total, grants from the Higher Education Funding Council for England (HEFCE) rose from £64.6 million to £65.6 million.

Tuition fee income and income from other education contracts rose by £12.7 million to £94.9 million, of which £9.8 million resulted from the third year of variable fees for students on HEFCE programmes. Overseas fees were 6.7% ahead of last year at £23.0 million as a result of the continued growth in international recruitment.

Research grants and contracts were 8.4% ahead of last year at £5.0 million and other income was 10.3% ahead of last year at £29.1 million, boosted by a 29.9% growth in collaborative venture revenue to £6.5 million and a 13.4% rise in accommodation and catering revenue to £11.2 million.

Expenditure

Expenditure rose by £10.8 million to £186.2 million, of which £6.3 million was a result of continued investment in staff with 78 Full Time Equivalent (FTE) added in the year.

Staff benefited from a pay increase as part of the nationally negotiated settlement for the UK Higher Education Sector being the higher of 2.5% or RPI, which on 1st October 2008 was 5.0%.

Pension costs of £11.4 million represent 10.3% of overall staff costs. This in part also reflects the University's obligations to non-academic staff who are members of the Local Government Pension Scheme and the funded liabilities of the scheme as disclosed under the requirements of FRS17 (Retirement Benefits). In total, expenditure on staff was £110.6 million, 55.3% of income.

Other operating expenditure increased by £5.7 million to £60.0 million, with increases resulting from the third full year of the academic merit based scholarship schemes for full time undergraduate students paying the full variable tuition fee, which led to scholarship payments increasing from £5.0 million to £6.5 million. Student recruitment costs increased by £1.0 million to £5.5 million used mainly used to support the growth in overseas activity.

Surplus

The net outcome is a historical cost surplus for the year of £15.9 million, 7.9% of income and up £5.7 million on last year.

Operating and Financial Review (continued)

Balance Sheet

In total the University spent £35.6 million on capital, including £11.5 million on the ongoing reconfiguration and enhancement of space on City Campus West, vacated by Schools that moved to City Campus East, £13.1 million on the construction of the new sports facility due to open June 2010, and £3.6 million on the acquisition of Kingston Park Rugby Ground home to the Newcastle Falcons Rugby Club. As at 31st July 2009 the net book value of the University's fixed assets were up £24.6 million to £277.0 million.

The University continues to focus on its working capital, with net liabilities increasing by £5.5m in the year, largely a result of the increase in creditors falling due within one year. In particular, accruals and deferred income are up by £3.3 million, which is a result of tuition fee income being deferred into next year and an increase of £0.8 million in trade creditors to £13.6 million.

Overall Debtors have increased by £1.0 million to £9.1 million but this position remains favourable in the context of income growing by £14.7 million.

The University's Balance Sheet also reflects the pension liability under FRS17 (Retirement Benefits) relating to the Tyne and Wear Pension Fund, administered by South Tyneside Metropolitan Council, which is a defined benefits scheme available to non academic staff. The University's pension liability increased by £33.2 million to £81.5 million. This significant movement in the year reflects the downturn in the value of the fund assets, in particular the downward trend of the long term rate of return on assets, and the increase in liabilities as a result of an increase in all the principal cost assumptions that determine the fund's future liabilities. The global economic climate continues to remain volatile, making the prospects of continued major fluctuations in the pension liability increasingly likely in future years.

The strong operating performance in the year has increased net worth excluding pension liabilities by £20.0 million to £206.2 million, however net worth including pension liability decreased from £137.9 million to £124.8 million.

Cashflow

During the year, there continued to be a significant focus on the cash generated from operating activities and cash management. In 2008/09 £28.4 million has been delivered from operating activities, up £7.4 million on last year. After

allowing for interest receipts, payments and capital grants, the University has been able to fund the £35.6 million of capital expenditure from internal cash generation, without the need to access the external borrowing facility.

Long term Borrowings and Hedging

The University has access to a £96 million Revolving Credit Facility (RCF), set up in August 2007 for seven years. During the year £11.9 million had been drawn down and repaid, leaving £46.4 million drawn and £49.6 million un-utilised at the year end. The RCF is an interest only facility and no capital is repayable over the term of the facility. Application of a prudent hedging policy meant that through the year the University has been able to optimise the benefit from the low interest rates available.

At the year end the University has hedging products in place to cover £40 million (85%) of the debt drawn against the RCF.

Sustainability

Recognising the challenges faced by the UK Higher Education sector, the University is committed and is determined to manage its financial affairs to ensure long term sustainability.

Whilst Northumbria enjoys continuing success and has delivered some impressive achievements, the challenges faced by the sector in the short, medium and longer term are not insignificant and will be demanding. However, the Board and management are not complacent and a review of the University's financial sustainability is already underway.

Northumbria has outstanding facilities and we will continue in our efforts to strengthen our research and entrepreneurial capacity as well as having a commitment to the student experience and academic impact.

External Audit

PricewaterhouseCoopers LLP have been the group auditors since 2002 with the present contract ending in 2009. In line with standard procurement policy, the provision of external audit services went out to competitive tender during 2009 and KPMG LLP was successful, commencing their duties from August 2009.

The University would like to take this opportunity to thank PricewaterhouseCoopers and acknowledge the help, support and professionalism they have brought to Northumbria University over the term of their contract.

Corporate Responsibility, Estate and Environment

A strong partnership between the University and the Northumbria Students' Union provides opportunities for students to engage in community volunteering, student-led community action projects, and the Northumbria Plus awards scheme.

The University's academic schools and service departments also undertake a broad range of outreach work. Northumbria staff support the region's STEM Programme to promote engagement and enjoyment of Science, Technology, Engineering and Mathematics. Funding from the Regional Development Agency One North East has allowed teams to work with local schools and arrange innovative events which capture the interest of children in Years 6 and 7.

The University was awarded a prize at the Universities Personnel Association's HR Excellence Awards for its scheme to recruit and train apprentices. Northumbria's Apprenticeship Framework, which was developed in 2007 to recruit and train young people in core technical areas of the University's business, has enabled the institution to recruit ten new members of staff, who are working in engineering, science and administration roles at the University. Northumbria is one of the few universities in the UK higher education sector to adopt an apprenticeship model as a viable way of recruiting and developing staff with relevant skills. During the year Northumbria received the Times Higher Education Leadership and Management Award 2009 for Outstanding Financial Initiative, recognising the University's strategic approach to the production and dissemination of management information.

Northumbria works with business, industry and government organisations to promote and support enterprise activity, and develop relevant services, from consultancy and applied research to customised training, knowledge transfer partnerships and business start-ups. In 2009 the University was principal sponsor of the Annual Regional Dinner of the Confederation of British Industry, and was a member of the Newcastle Gateshead Initiative and other regional trade and marketing associations. In the past four years the University has helped 200 graduate start-up companies, most of which are based in the North East.

The institution's support for regional cultural and sporting life includes sponsorship of regional theatre and new writing, music, dance and visual arts. It funds a University Gallery, which has developed a partnership with a sister gallery at King's Place in London, providing wider audiences for University exhibitions. It enjoys strong associations with all of the city's professional sports clubs, and as part of the 'Wallace Group' of six leading universities in sport, Northumbria uses its sporting expertise to engage with organisations and individuals across the region.

Northumbria University met or exceeded all of its nationally set government targets in relation to widening participation in higher education. This year the University was awarded the Frank Buttle Trust Quality Mark for Care Leavers in Higher Education. This mark was created to recognise institutions which provide exceptional support to students who have been in public care.

Northumbria University's City Campus East buildings, which opened in 2007, added 24,000 square metres of new academic space to the University's estate. Since opening, these buildings, housing the Newcastle Business School and the Schools of Law and of Design, have won regional and national awards for design. The University is now undertaking a further £63 million capital programme on City Campus West, including the refurbishment and reconfiguration of existing accommodation.

The University met its annual environmental performance targets, which are set within an institutional Carbon Management Plan. Environmental management teams annually audit energy usage and costs, in order to identify and procure "best value" regional and national utilities. For five years the University has benefited from 100% "green" energy. The most recently available data assessing the impact of environmental policies shows staff car commuting down 30% since 2005, staff public transport commuting up 30% in the same period, with staff cycle commuting up by 51%. In April 2009 the University signed a new waste management contract to ensure it increases the reuse and recycling of materials. The University's bio-diversity policy was also agreed in 2009 and a rolling programme has this year been set to implement the actions required in the years ahead.

Operating and Financial Review (continued)

Statement of Corporate Governance and Internal Control

Principles of University Governance

The Board of Governors has formally reviewed its compliance with the CUC Governance Code of Practice at its periodic Review Meetings and affirmed its commitment to the Code. In 2005 it adopted a Statement of Primary Responsibilities for the Board. The primary responsibilities of the Board of Governors of the University of Northumbria at Newcastle as the supreme decision-making body of the University are as follows:

- (a) determining the Vision, Mission and educational character of the University, after consideration of proposals from the Vice-Chancellor and for periodically reviewing the Vision, Mission and educational character in the light of proposals from the Vice-Chancellor;
- (b) overseeing the activities of the University under the leadership, organisation, direction and management of the Vice-Chancellor;
- (c) championing and representing the University, its Vision and Mission in appropriate international, national and regional fora;
- (d) providing such support and encouragement of the University, its Vice-Chancellor, management, staff and students as is permissible within the obligations of the Board to ensure good and effective governance and management of the institution;
- (e) having ultimate responsibility for the effective and efficient use of resources, ensuring the solvency of the University and the safeguarding of University assets, establishing and monitoring systems of control and accountability, including financial and operational controls and risk assessment;
- (f) ensuring the operation of the University within its legal powers and obligations and within the law and regulatory framework generally;
- (g) approving the Corporate Strategy and Strategies of the University; monitoring institutional performance against the Plan, including key performance indicators agreed with the Vice-Chancellor, where possible ensuring appropriate benchmarking against comparable institutions, and taking into account stakeholder interests;
- (h) approving annual budgetary estimates of income and expenditure, and ensuring the promotion of value for money within the University in the expenditure;
- (i) sharing responsibility with the Vice-Chancellor for diversifying income streams for the University, and raising private revenue by donations and through other sources, as shall be permissible under the obligations of the Board to ensure value for money and probity;
- (j) appointing, assigning, grading, appraising, suspending, dismissing and determining the pay and conditions of service of the Vice-Chancellor;
- (k) appointing, assigning, grading, appraising; suspending, dismissing and determining the pay and conditions of service of the University Secretary, and such other University staff as the Board may determine from time to time to be holders of senior posts;
- (l) approving the framework of pay and conditions of service and discipline of all other staff of the University, including staff grievances;
- (m) acting in an appellate capacity for the suspension or expulsion of University students on disciplinary grounds, and for the suspension and dismissal of University staff;
- (n) ensuring the compliance of the University with the highest ethical and professional standards and codes of conduct including the Seven Principles of Public Life, in relation to the operation of the Board of Governors, the work of the University, its staff, students and external partners.

Legal and Constitutional Framework

The University is an independent higher education corporation, established under the terms of the Education Reform Act 1988 and Further and Higher Education Act 1992. Its objectives, powers and

framework of governance are set out in the Articles of Government, which were last revised and approved by the Privy Council in 2001.

The Articles require the University to have a Board of Governors and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Academic Board has responsibilities for the oversight of the academic activities of the University and draws its membership from staff and students of the institution. It is particularly concerned with general issues relating to research, scholarship, teaching and academic programmes of the University.

The Board of Governors

The Board of Governors is the governing body of the University, responsible for the determination of the educational character and Mission of the institution and it is specifically responsible for the efficient use of resources - especially finance, estates and staffing.

The Board held five formal meetings during 2008/09, in September, November, March, May and July. Much of its work is initially handled by its Committees, notably the Employment and Finance Committee, the Audit Committee, the Nominations Committee and the Remuneration Committee. Decisions and recommendations of Committees are formally reported to the Board as provided within the Articles of Government, the terms of reference of the Committees and the Financial Regulations of the University.

The Board's effective operation is aided by the fact that it has a majority of independent members, drawn from a diverse range of backgrounds. There is also provision for the appointment of additional (co-opted) members, representatives of the Academic Board, academic and other staff and the student body. No members of the Board are remunerated for the work they undertake for the University, although expenses may be paid for attendance at Board meetings.

During 2008/09 the Board has continued to pay attention to the enhancement of its corporate governance of the University, and assessing continued adherence to the CUC Code of Governance. In September 2008 the Board agreed

a set of objectives to form the basis of a new Corporate Strategy and revised Mission. Subsequently draft Mission and Values Statements were presented to the Board of Governors at its meeting of 6 July 2009, for comment.

At its annual Review Meeting on 29 September 2008, the Board evaluated the effectiveness of the governance activities of the Board and its Committees in 2008/09, in line with the Board's approach of continuous review. The exercise is being used to enhance governor activity and development as non-executive Board members, and to strengthen committee membership in 2009/10.

Governor development continued during 2008/09, with Governor attendance at events organised by the Leadership Foundation for Higher Education, enhanced by a varied in-house programme of visits to Schools and Service Departments, University Showcase activities and public events.

The Board of Governors, at its meeting on 6 July 2009, approved a new set of student regulations, as recommended to them by Academic Board. More detailed reports of Academic Board and its activities are included in the Academic Board Annual Report.

The Senior Posts Appointments Committee, chaired by the Chairman of the Board, undertook the recruitment of the Deputy Vice-Chancellor (Strategic Planning) resulting in the appointment of Professor Ian Postlethwaite, formerly of the University of Leicester, who is due to start at the University in January 2010.

The Audit Committee operated in 2008/09 under its agreed terms of reference and met five times. The Committee has continued its focus on its role in respect of corporate governance, risk management, value for money and data quality and assurance. It also ensures adherence to University policies and procedures and oversees public interest disclosures as well as fraud investigations and policy implementation.

The Employment and Finance Committee's oversight of current University business has continued, including detailed regular reporting of financial, estates, employment and human resources matters. This Committee held five meetings and members of the Committee also received monthly reports on the University's financial position.

Operating and Financial Review (continued)

Each Board meeting received and reviewed regular current financial reports (which were also reviewed by members of the Board throughout the year during 2008/09). Active governance oversight of the University's major City Centre estate development projects and its strategic research investment initiatives, including oversight of the University's Strategic Investment Fund, have been undertaken by the Board and its relevant committees in 2008/09, with reports submitted to all major Board and Committee meetings as well as on a regular basis to the weekly meetings of the Vice-Chancellor's Executive Group.

The Nominations Committee has paid particular attention during 2008/09 to refreshing and renewing Board membership by balancing the skills sets that it looks for in its independent and additional members. It has also continued to pay particular attention to equality and diversity concerns, notably gender, ethnicity and disability representation. A new member joined the Board in 2008/09 and, in line with the Board's succession planning arrangements, changes have been introduced to strengthen Committee membership and to extend membership experience. These will continue in 2009/10.

Executive Management

The Vice-Chancellor is the Chief Executive of the University, with responsibility to the Board of Governors for the organisation, direction and management of the University. Under the terms of the Financial Memorandum between the University and the Funding Council, he is the designated officer and, in that capacity, can be summoned to appear before the Public Accounts Committee. As Chief Executive, the Vice-Chancellor is specifically responsible for making proposals to the Board of Governors on the educational character and Mission of the University. Subject to consultation with the Academic Board, he is responsible for determining all the University's academic activities.

During 2008/09 the University Executive, led by the Vice-Chancellor, contributed actively to this work, meeting weekly as the Vice-Chancellor's Executive Group ("VCEG"), comprising Deputy Vice-Chancellors, the University Secretary and the Directors of Human Resources and Corporate Planning. The Senior Management Group, comprising VCEG members and Deans of School met monthly for the consideration of University business and the Vice-Chancellor held meetings, on a monthly basis, with Directors of University Service Departments. Ultimately, however, responsibility for executive management rests with the Vice-Chancellor.

Statement of Internal Control

The University has continued its risk management process, with a policy which explicitly identifies risk-taking as necessary in higher education, committing the University to effective management of its risks through well-defined, structured processes and procedures. These are integrated into the institution's governance and management structures, grounded in the agreed view of the University that effective risk management is synonymous with good management generally. The identification and management of risk is the responsibility of the Board of Governors and University management, and the formal processes involved continue to be accompanied by a strong emphasis within the University on promoting a culture of risk management amongst staff. In September 2008 the Board of Governors endorsed a University Statement of Priorities for Development, and it was resolved these would inform the revision of the University Register of Key Risks which is periodically updated. The new Register under development is to incorporate a more detailed differentiation between gross and net risks, to identify risk mitigation owners as well as risk owners so as to enhance risk mitigation assurance actions. The Board of Governors resolved that the revised Register would remain a discrete document and would form an appendix to the new Corporate Strategy. The Audit Committee oversees the risk management process on behalf of the Board and the University Secretary exercised senior management coordination of the process, and reported regularly to the University Executive and the Audit Committee, the Board of Governors and the University more widely. UNIAC, the University's Internal Auditors, and PricewaterhouseCoopers LLP, External Auditors, are kept abreast of progress in implementation of University risk management policy and take risk management into account in their respective work for the University. The University looks in 2009/10 to completing the revision of its Register of Key Risks, in conjunction with its new Corporate Strategy, led by the Vice-Chancellor and Chief Executive.



Miss Lucy Armstrong

Deputy Chairman and Pro-Chancellor, Board of Governors and Chairman, Employment and Finance Committee

Register of Board Members and Professional Advisors

Chancellor

The Lord Stevens of Kirkwhelpington

Governors

Mr Peter Allan OBE (until 31 July 2009)

Miss Lucy Armstrong (Deputy Chairman and Pro-Chancellor from 28 September 2009)

Professor Fen Arthur

Mrs Lesley Bessant (from 1 August 2009)

Mr Haydn Biddle (Deputy Chairman and Pro-Chancellor until 31 August 2008)

Mr Gavin Black (Chairman and Pro-Chancellor until 31 July 2009)

Mr David Buffham (from 18 May 2009)

Ms Lisa Burton (until 22 July 2009)

Professor Paul Croney

Sir Les Elton (Deputy Chairman and Pro-Chancellor until 31 July 2009)
(Chairman and Pro-Chancellor from 1 August 2009)

Mr George Gill CBE

Mr Frank Hindle

Mr John Josephs

Professor Philip Mars

Dr Maureen Norrie

Mr Adam Serfontein

Mr Michael Short

Mr John Taylor

Mr William Teasdale

Mrs Eileen Thompson

Mrs Ruth Thompson OBE

Miss Rebecca Warburton (from 22 July 2009)

Professor Andrew Wathey (Vice-Chancellor from 1 September 2008)

Mr Ashley Winter OBE

Mr David Wright

University Secretary and Secretary to the Board of Governors

Dr Richard Bott (until 31 August 2009)

Mr Philip Booth (acting from 1 September 2009)

Corporate Office

Ellison Building
Ellison Place
Newcastle upon Tyne
NE1 8ST
Telephone (0191) 227 4010

Register of Interest and Disclosures

A Register of Board members' interests and disclosures is maintained by the University Secretary and may be viewed by appointment, by writing to or telephoning the Corporate Office.

Auditors

PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

UNIAC
Suite 1D, Armstrong House
Oxford Road
Manchester
M1 7ED

Bankers

Barclays Bank plc
City Office
Percy Street
Newcastle upon Tyne
NE1 4QL

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

Statement of Primary Responsibilities of Governing Body

The Governors are listed on page 11.

In accordance with the Articles of Government of the University, the Board of Governors is responsible for the determination of the educational character and mission of the University and the oversight of its activities including ensuring an effective system of internal financial control and is required to present audited financial statements for each financial year.

The Board is responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the University. The financial statements are prepared in accordance with the requirements of the Articles of Government, the Higher Education Funding Council for England's accounts direction, the Statement of Recommended Practice – Accounting in Further and Higher Education and other relevant accounting and financial reporting standards. In addition, within the terms and conditions of the University's Financial Memorandum agreed with the Funding Council, the University, through its designated 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.

For the financial statements to be prepared the Board 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 which would be disclosed and explained in the financial statements;
- Financial statements are prepared on the going concern basis.

The Board has taken reasonable steps to:

- Ensure that funds from the Higher Education Funding Council for England and other similar sources are used only for the purpose for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and prevent and detect fraud;

- Secure the economical, efficient and effective management of the University's resources, including both income and expenditure.

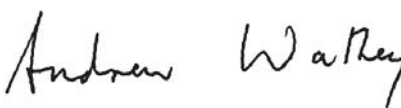
The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities, set out above, include the following:

- clear definitions of the responsibilities and authority delegated to the heads of academic and service departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators, business risks and financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Employment & Finance Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors and whose head provides the Board with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

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



Sir Les Elton
Chairman and Pro-Chancellor



Professor A Wathey
Vice-Chancellor

23 November 2009

Independent Auditors' Report to the Governing Body of Northumbria University

We have audited the financial statements of Northumbria University for the year ended 31 July 2009 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the governing body and auditors

The governing body's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Primary Responsibilities of the Governing Body.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the governing body of the institution in accordance with the institution's Articles of Government and section 124B of the Education Reform Act 1988. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education.

We report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the institution's Articles of Government and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE) and with the funding agreement with the Training and Development Agency for Schools.

We also report to you whether, in our opinion, the information given in the Operating and Financial Review is consistent with those financial statements. In addition we report to you if, in our opinion, the institution has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the Operating and Financial Review.

We also review the Statement of Corporate Governance and Internal Control and comment if the statement is inconsistent with our knowledge of the institution. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Our responsibilities do not extend to any other information.

Independent Auditors' Report to the Governing Body of Northumbria University (continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Accountability and Audit Code of Practice contained in the Financial Memorandum 2008/19. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

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

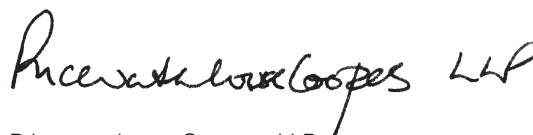
Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the institution at 31 July 2009, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, income from the Higher Education Funding Council for England, and the Training and Development Agency for Schools grants and income for specific purposes and from other restricted funds administered by the institution have

been applied only for the purposes for which they were received; and

- iv. in all material respects, income has been applied in accordance with the institution's Articles of Government and where appropriate in accordance with the financial memorandum (2008/19) with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.



PricewaterhouseCoopers LLP
Chartered Accountants
Newcastle Upon Tyne

27 November 2009

The maintenance and integrity of the Northumbria University website is the responsibility of the Governing Body; 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 FRS 18 'Accounting Policies', these accounting policies have been reviewed by the Board of Governors and are considered to be appropriate for the University's activities.

a. Basis of Preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice 'Accounting in Further and Higher Education' (SORP) and in accordance with applicable accounting standards. They conform to the guidance published by the Higher Education Funding Council for England (HEFCE).

b. Basis of Accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

c. Basis of Consolidation

The consolidated financial statements combine the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July 2009. Details of University's subsidiary undertakings are provided in Note 14 to the accounts. In accordance with FRS 2 'Subsidiary Undertakings', financial statements do not include those of the Northumbria Students' Union, as it is a separate organisation in which the University has no financial interest and no control or significant influence over policy decisions.

d. Recognition of Income

The recurrent grant from the HEFCE represents the funding allocation that is attributable to the current financial year and is credited directly to the Income and Expenditure Account.

Tuition fees represent student fees received and receivable attributable to the current accounting period.

Income from Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

Income used to acquire tangible fixed assets is credited to deferred capital grants and released to the Income and Expenditure Account over the estimated useful lives of the relevant assets.

The University acts as an agent in the collection and payment of training bursaries from the Training and Development Agency and of Access Funds from the

HEFCE. Related payments received from the Training and Development Agency and the HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in Note 28 to the accounts.

e. Pension Schemes

The three principal pension schemes for the University's staff are the Teachers Pension Scheme (TPS), the Tyne and Wear Pension Fund (TWPF) and the Universities' Superannuation Scheme (USS). The USS and the TPS are both defined benefit schemes which are contracted out of the State Second Pension (S2P). The assets of the USS scheme are held in a separate trustee-administered fund. The University is unable to identify its share of the underlying assets and liabilities of the TPS and USS schemes on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for both schemes as if they were defined contribution schemes. As a result the amount charged to the Income and Expenditure Account represents the contributions payable to the schemes in respect of the accounting period.

The University has fully adopted the requirements of FRS 17 'Retirement Benefits' in respect of the Tyne and Wear Pension Fund. The operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned. The related finance costs, expected return on assets and any other changes in the fair value of the assets and liabilities are recognised in the accounting periods in which they arise. The operating costs, finance costs and expected return on assets are recognised in the Income and Expenditure Account with any other changes in the fair value of assets and liabilities being recognised in the Statement of Total Recognised Surpluses and Deficits.

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities. The attributable assets of the scheme are measured at their fair value, at the balance sheet date, and are shown net of attributable scheme liabilities.

f. Maintenance of Premises

The University has a rolling maintenance programme that is reviewed on an annual basis. The cost of all maintenance is charged to the Income and Expenditure Account. Expenditure that extends the useful life of an asset or enhances an asset, is capitalised as defined by FRS 15 'Tangible fixed assets'.

Statement of Principal Accounting Policies (continued)

g. Tangible Fixed Assets

i) Capitalisation

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

- Individually have a cost equal to or greater than £5,000; or
- Collectively have a cost equal to or greater than £5,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control; or
- Irrespective of their individual cost, form part of the initial equipping of a new building.

ii) Revaluation

In order to reflect the full value to the University of its land and buildings base, the estate is subject to a full revaluation every 5 years with interim valuations by year three. The last full revaluation was applied as at July 2005, with the interim valuation being applied as at 31 July 2008.

The University's Property Advisors, BNP Paribas Real Estate UK, carried out the valuation and have included properties either at open market value or depreciated replacement cost as appropriate. Buildings under construction are accounted for at cost and are not depreciated until they are brought into use. The valuation takes account of impairment and events and changes to circumstances that indicate the carrying amount of the fixed assets may not be recoverable.

iii) Depreciation

Tangible assets are depreciated on a straight-line basis over their useful life as follows:

Freehold Buildings	Not More Than 50 Years
Leasehold Buildings	Life of the Lease
Land	Not Depreciated
Equipment	5 years
Motor Vehicles	4 years
Computer Equipment and Software	3 years
Assets Costing Less Than £5,000	Written off in Year of Purchase

iv) Capital Grants

Where assets are acquired with the aid of specific grants or donations they are capitalised and depreciated as above. The related grants and donations are treated as deferred capital grants and released to income over the expected useful life of the asset (or the period of the grant in respect of specific projects).

h. Leases and Hire Purchase Contracts

The University has adopted the disclosure requirements of SSAP 21 'Accounting for leases and hire purchase contracts'.

i. Stocks

In accordance with SSAP 9 'Stocks and long term contracts', Stocks are valued at lower of cost and net realisable value. Consumable items are charged directly to Income and Expenditure Account.

j. Provisions

In accordance with FRS 12 'Provisions, Contingencies and Commitments', provisions are recognised when the University has a present and legal or constructive obligation as a result of a past event, 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.

k. Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities. Cash includes cash in hand, deposits repayable on demand and overdrafts.

l. Foreign Currencies

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 either at the rates at the date of the Balance Sheet or, where there are related forward exchange contracts, at contract rates. The resulting exchange differences are dealt with in the Income and Expenditure Account for the financial year.

Consolidated Income and Expenditure Account

for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
INCOME			
Funding Council Grants	1	70,406	71,049
Tuition Fees and Education Contracts	2	94,910	82,238
Research Grants and Contracts	3	5,012	4,623
Other Operating Income	4	29,125	26,382
Interest Receivable	5	215	657
Total Income		199,668	184,949
EXPENDITURE			
Staff Costs	6	110,561	104,264
Other Operating Expenses	7	60,012	54,301
Interest Payable	8	4,540	3,526
Depreciation	13	11,058	12,181
Impairment of Tangible Fixed Assets	21	–	1,129
Total Expenditure		186,171	175,401
Surplus on Continuing Operations		13,497	9,548
Loss on Disposals and Diminution of Fixed Assets	10	–	1,110
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Disposals and Diminution of Fixed Assets but Before Tax		13,497	8,438
Taxation	11	–	–
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposals and Diminution of Fixed Assets and Tax	12	13,497	8,438

The Consolidated Income and Expenditure of the University and its Subsidiaries relate wholly to continuing operations.

Consolidated Statement of Historical Cost Surpluses and Deficits

for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposals and Diminution of Fixed Assets and Tax	21	13,497	8,438
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	21	2,396	1,756
Historical Cost Surplus for the Year		15,893	10,194

Statement of Group Total Recognised Gains and Losses

for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposals and Diminution of Fixed Assets and Tax		13,497	8,438
Realisation of Property Revaluation Gain on Diminution of Asset		-	(410)
Unrealised Surplus on Property Revaluation		-	30,805
Realisation of Property Revaluation Gains from Previous Years		-	(386)
Actuarial Loss in Respect of Pension Scheme		(32,290)	(12,215)
Total Recognised (Loss)/Gain for the Year		(18,793)	26,232
RECONCILIATION			
Opening Reserves		117,448	91,216
Total Recognised (Loss)/Gain for the Year		(18,793)	26,232
Closing Reserves	21	98,655	117,448

Balance Sheets

at 31 July 2009

	Note	CONSOLIDATED		UNIVERSITY	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
FIXED ASSETS					
Tangible Fixed Assets	13	277,020	252,441	277,020	252,441
Investments	14	–	–	–	543
		277,020	252,441	277,020	252,984
CURRENT ASSETS					
Stocks		82	58	82	58
Debtors	15	9,132	8,088	9,947	9,506
Cash at Bank and in Hand		10,009	12,380	9,188	11,568
		19,223	20,526	19,217	21,132
Creditors – Amounts Falling Due Within One Year	16	(41,159)	(37,002)	(41,157)	(36,996)
NET CURRENT LIABILITIES		(21,936)	(16,476)	(21,940)	(15,864)
TOTAL ASSETS LESS CURRENT LIABILITIES		255,084	235,965	255,080	237,120
Creditors – Amounts Falling Due After More Than One Year	17	(46,697)	(47,498)	(46,697)	(47,498)
Provisions for Liabilities and Charges	19	(2,133)	(2,287)	(2,133)	(2,287)
NET ASSETS EXCLUDING PENSION LIABILITY		206,254	186,180	206,250	187,335
Pension Liability	26	(81,461)	(48,250)	(81,461)	(48,250)
NET ASSETS INCLUDING PENSION LIABILITY		124,793	137,930	124,789	139,085
REPRESENTED BY:					
Deferred Capital Grants	20	26,138	20,482	26,138	20,482
RESERVES					
Revaluation Reserve	21	101,348	103,744	101,348	103,744
Revenue Reserve Excluding Pension Reserve	21	78,768	61,954	78,764	63,109
Pension Reserve	21	(81,461)	(48,250)	(81,461)	(48,250)
Revenue Reserve Including Pension Reserve		(2,693)	13,704	(2,697)	14,859
TOTAL RESERVES	21	98,655	117,448	98,651	118,603
TOTAL		124,793	137,930	124,789	139,085

The Financial Statements on pages 15 to 41 were approved by Governors on 23 November 2009 and signed on their behalf by:



Sir Les Elton
Chairman and Pro-Chancellor



Professor A Wathey
Vice-Chancellor

Consolidated Cash Flow Statement

for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	28,442	21,022
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from Short Term Investments		215	657
Interest Element of Finance Lease Rental Payments		-	-
Interest Paid		(1,980)	(2,786)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(1,765)	(2,129)
TAXATION			
		-	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to Acquire Tangible Assets		(35,637)	(21,512)
Proceeds from Sale of Tangible Fixed Assets		-	80
Deferred Capital Grants Received		7,198	3,257
Net Cash Outflow from Capital Expenditure and Financial Investment		(28,439)	(18,175)
FINANCING			
New Secured Long Term Loans		-	-
New Unsecured Loans		-	348
Repayment of Unsecured Loans		(131)	-
Repayment of Long Term Loans		(478)	(478)
Net Cash Outflow from Financing		(609)	(130)
(DECREASE)/INCREASE IN CASH IN THE YEAR		(2,371)	588
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT			
(Decrease)/Increase in Cash in the Year		(2,371)	588
Decrease in Debt in the Year		609	130
(Increase)/Decrease in Net Debt in the Year	24	(1,762)	718
Net Debt as at 1 August 2008		(34,892)	(35,610)
Net Debt as at 31 July 2009	24	(36,654)	(34,892)

Notes to the Accounts

	CONSOLIDATED	
	2009	2008
	£'000	£'000
1 FUNDING COUNCIL GRANTS		
Recurrent Grant Received from HEFCE	61,138	59,672
Specific Grants	4,468	4,927
Training and Development Agency	3,570	3,822
Releases from Deferred Capital Grants:		
Buildings	639	1,619
Equipment	591	1,009
	70,406	71,049
2 TUITION FEES AND EDUCATION CONTRACTS		
Full-Time Home Fees	41,120	31,315
Part-Time Home Fees	5,091	5,102
Overseas Fees	22,980	21,547
Short Courses	4,543	3,745
Nursing Education Contract	21,176	20,529
	94,910	82,238
3 RESEARCH GRANTS AND CONTRACTS		
Research Councils	1,056	642
UK Based Charities	156	466
European Commission	354	367
Other Grants and Contracts	3,446	3,148
	5,012	4,623
Total research grants and contracts income, including that receivable from the Funding Council in Note 1 above increased by £1,346k to £6,358k (2008 £1,395k to £6,018k)		
4 OTHER INCOME		
Accommodation and Catering	11,201	9,835
Other Academic Income:		
Art Sales	64	114
Consultancy	623	638
Non Credit Bearing Programmes	1,090	1,282
Collaborative Ventures	6,495	5,001
Others	662	801
Other Services Rendered	8,630	7,819
Release from Deferred Revenue Grants	48	81
Releases from Deferred Capital Grants (non Funding Council):		
Buildings	67	158
Equipment	245	653
	29,125	26,382

	CONSOLIDATED	
	2009	2008
	£'000	£'000

5 INTEREST RECEIVABLE

Income from Short Term Investments	215	657
------------------------------------	------------	-----

6 STAFF COSTS

Salaries and Wages	91,953	84,950
Social Security Costs	7,180	6,615
Pension Costs (Note 26)	11,428	12,699
	110,561	104,264

Emoluments of the Vice-Chancellor

Remuneration	188	–
Benefits	3	–
Pension Contributions to USS	26	–

The University's pension contributions to the Universities Superannuation Scheme on behalf of the Vice-Chancellor are paid at the same rates as for other academic staff.

Emoluments of the previous Vice-Chancellor

Remuneration	18	210
Compensation for Capped Employer Pension Contributions	–	26
Benefits	–	2
Pension Contributions to TPS	1	17

The University's pension contributions to the Teachers' Pension Scheme on behalf of the previous Vice-Chancellor were paid at the same rates as for other academic staff. In addition to the amounts disclosed above, the previous Vice-Chancellor also received £90,251 in additional payments.

	2009	2008
	Staff FTE	Staff FTE
Remuneration of other Higher Paid Staff (Excluding Employers NI and Superannuation)		
£100,000 – £109,999	–	2
£110,000 – £119,999	2	1
£120,000 – £129,999	2	2
£200,000 – £209,999	–	1

Average Staff Numbers (expressed as full time equivalents (FTE))

Academic	1,096	1,062
Academic Support	373	353
Student Support	168	173
Estates & Accommodation	473	447
Administration and Central Services	536	533
	2,646	2,568

Notes to the Accounts (continued)

	CONSOLIDATED	
	2009	2008
	£'000	£'000
7 OTHER OPERATING EXPENSES		
Accommodation and Catering	2,934	2,546
Auditors' Remuneration:		
University External Audit	63	64
Subsidiaries External Audit	10	11
Other Services From External Audit	23	7
Internal Audit Services	107	96
Books and Periodicals	2,778	2,508
IT Supplies and Other Equipment	6,312	6,408
Marketing and Publicity	908	842
Printing, Postage and Stationery	2,036	1,827
Professional Services	7,359	6,650
Recruitment and Relocation	395	487
Rent, Rates and Utilities	7,672	6,973
Repairs and Maintenance	6,098	5,567
Scholarships and Mandatory Bursaries	6,474	5,010
Staff Development	319	289
Student Recruitment Costs	5,489	4,495
Telephone	944	743
Travel and Subsistence	5,099	4,985
Other Expenses:		
Bank Charges	143	145
Student Placement Fees	1,438	1,118
Students' Union Grant	701	662
Subscriptions	831	733
Others	1,879	2,135
	60,012	54,301
Operating Lease Expenses included in the above are:		
Rent, Rates and Utilities	2,408	2,360
IT Supplies and Equipment	510	515
Travel and Subsistence	11	12
	2,929	2,887

	CONSOLIDATED	
	2009	2008
	£'000	£'000
8 INTEREST PAYABLE		
On Bank Loans Repayable Within 5 Years	105	5
On Bank Loans Repayable Wholly or Partly in More than 5 Years	1,875	2,781
	1,980	2,786
On Pension Scheme	2,560	740
	4,540	3,526

	CONSOLIDATED			
	Staff Costs £'000	Other Operating Expenses £'000	Interest Payable £'000	Total £'000
9 ANALYSIS OF 2008/09 EXPENDITURE BY ACTIVITY				
Academic Schools	70,053	17,949	–	88,002
Academic Services	13,013	6,261	–	19,274
Administration	15,126	16,669	–	31,795
Premises	6,716	10,289	1,980	18,985
Residences, Catering and Conferences	3,378	6,882	–	10,260
Research Grants and Contracts	2,275	1,962	–	4,237
Other Expenses	–	–	2,560	2,560
	110,561	60,012	4,540	175,113
Depreciation				11,058
				186,171

The depreciation charge has been funded by:

	Note	£'000
Deferred Capital Grants Released	20	1,542
Revaluation Reserve Released	21	2,396
General Income		7,120
		11,058

Notes to the Accounts (continued)

	CONSOLIDATED & UNIVERSITY	
	2009	2008
	£'000	£'000
10 LOSS ON DISPOSALS AND DIMINUTIONS OF FIXED ASSETS		
The loss for the year is made up as follows:		
Inter-site Bridge	–	454
Net Value of Property Demolished for Campus Redevelopments	–	680
Profit on Sale of Fixed Assets	–	(24)
	–	1,110

11 TAXATION

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

	2009	2008
	£'000	£'000
12 SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR		
The surplus on continuing operations for the year is made up as follows:		
University's Surplus for the Year	12,338	8,208
Gain on Consolidation	1,022	915
Surplus/(Loss) Generated by the Subsidiary Undertakings	137	(685)
	13,497	8,438

The Gain on Consolidation arises from the reversal of the book depreciation charge in the Library company of £479k and the reversal of the write down of the University investment in the Library company of £543k. The Library company ceased its book operations on 1 August 2007 to comply with HMRC directives and these transactions will now enable the Library company to be wound up.

	CONSOLIDATED & UNIVERSITY				
	Freehold Land & Buildings £'000	Leasehold Land & Buildings £'000	Equipment £'000	Assets Under Construction £'000	Total £'000
13 TANGIBLE FIXED ASSETS					
Valuation/Cost at 1 August 2008	232,229	2,319	40,252	5,755	280,555
Additions at Cost	6,160	–	4,056	25,421	35,637
Work in Progress Completed	10,158	484	396	(11,038)	–
Disposals	–	–	(6,127)	–	(6,127)
Valuation/Cost at 31 July 2009	248,547	2,803	38,577	20,138	310,065
Depreciation at 1 August 2008	–	–	28,114	–	28,114
Charge for Year	5,639	242	5,177	–	11,058
Disposals	–	–	(6,127)	–	(6,127)
Depreciation at 31 July 2009	5,639	242	27,164	–	33,045
Net Book Value at 31 July 2009	242,908	2,561	11,413	20,138	277,020
Net Book Value at 31 July 2008	232,229	2,319	12,138	5,755	252,441

Asset Disposals

The University has taken the opportunity during the year to dispose of £6,127k of Equipment from the Asset Register. This equipment was fully written down and therefore has nil effect on the Income & Expenditure Account.

If historic land and buildings had not been re-valued they would have been included at the following amounts:

	£'000
Historic Cost	42,128
Aggregate Depreciation Based on Cost	(6,075)
Net Book Value Based on Cost	36,053

Notes to the Accounts (continued)

	CONSOLIDATED		UNIVERSITY	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000

14 INVESTMENTS

Investment in Subsidiaries at Cost	-	-	-	543
------------------------------------	---	---	---	-----

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

Company	Activity	Issued Share Capital	£
University of Northumbria at Newcastle Developments Limited	Provision of Education Services	2 £1 Ordinary Shares	2
Northumbria Library Company Limited	Provision of Library Services	542,531 £1 Ordinary Shares	-
Northumbria International Limited	Support Services for Overseas Activities	1 £1 Ordinary Share	1
			3

Other Fixed Asset Investments:

Company	Activity	Issued Share Capital	£
Northumbria Learning Limited	Development of IT and Internet-based Learning Solutions	100 £1 Ordinary Shares	19
			19

The University has written down the shares it holds in Northumbria Library Company Limited to nil value in advance of the subsidiary being wound up after 31 July 2009. This expense is reversed on consolidation.

	CONSOLIDATED		UNIVERSITY	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000

15 DEBTORS

Amounts Falling Due Within One Year:

Trade Debtors	5,559	5,210	5,559	5,210
Amounts Owed by Subsidiary Undertakings	-	-	928	1,525
Prepayments and Accrued Income	3,501	2,793	3,388	2,687
Other Debtors	72	85	72	84
	9,132	8,088	9,947	9,506

	CONSOLIDATED		UNIVERSITY	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
16 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR				
Mortgages and Loans (Note 18)	652	609	652	609
Trade Creditors	13,614	12,821	13,614	12,821
Amounts Owed to Subsidiary Undertakings	–	–	4	4
Social Security and Other Taxation Payable	2,385	2,214	2,385	2,214
Accruals	4,429	4,824	4,422	4,814
Deferred Income	19,386	15,671	19,387	15,671
Other Creditors	162	346	162	346
External Funds (Note 27)	531	517	531	517
	41,159	37,002	41,157	36,996

Included above is the sum we consider appropriate to cover any adjustment to the HEFCE funding grant 2008/09 following an audit undertaken by HEFCE in September 2009, which is not yet finalised.

	CONSOLIDATED and UNIVERSITY	
	2009 £'000	2008 £'000
17 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Mortgages and Loans (Note 18)	46,011	46,663
Deferred Income	686	835
	46,697	47,498

CONSOLIDATED and UNIVERSITY

18 BORROWINGS

Summary of Borrowings at 31 July 2009:

Lender	Type	Start Date	Term	Contractual Interest Rate	Due Within One Year £'000	Due in More Than One Year £'000
Barclays	£11m Term Loan	10 March 2004	25 Years	Fixed at 5.8%	478	8,968
Barclays	£96m Revolving Credit Facility	1 August 2007	Up to 7 Years:	Capped at 5.0% ¹ Capped at 6.2% ² Floating ³	– – –	25,000 5,435 6,565
NetApp	Term Loan	1 Nov 2007	3 Years	Fixed at 0%	174	43
					652	46,011

1. Fixed at 1.4% From 1 May 2009 to 2 August 2009

2. Fixed at 1.4% From 1 May 2009 to 2 August 2009

3. Fixed at 0.6% From 24 July 2009 to 2 August 2009

Notes to the Accounts (continued)

CONSOLIDATED and UNIVERSITY

	Pension £'000
19 PROVISIONS FOR LIABILITIES AND CHARGES	
At 1 August 2008	2,287
Expenditure in the Period	(258)
Transfer from Income & Expenditure Account	104
At 31 July 2009	2,133

This provision was set up to pay enhanced pension entitlements to staff who have taken early retirement.

CONSOLIDATED and UNIVERSITY

	Funding Council £'000	Other £'000	Total £'000
20 DEFERRED CAPITAL GRANTS			
At 1 August 2008			
Buildings	16,840	1,445	18,285
Equipment	1,734	463	2,197
Total	18,574	1,908	20,482
Grant Received			
Buildings	6,162	34	6,196
Equipment	881	121	1,002
Total	7,043	155	7,198
Released to Income and Expenditure Account			
Buildings	639	67	706
Equipment	591	245	836
Total	1,230	312	1,542
At 31 July 2009			
Buildings	22,363	1,412	23,775
Equipment	2,024	339	2,363
Total	24,387	1,751	26,138

	CONSOLIDATED			
	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total £'000
21 RECONCILIATION OF MOVEMENT IN RESERVES				
At 1 August 2008	103,744	61,954	(48,250)	117,448
Surplus for Year	–	13,497	–	13,497
Historical Cost Adjustment	(2,396)	2,396	–	–
Pension Scheme	–	921	(921)	–
Actuarial Loss in Respect of Pension Scheme	–	–	(32,290)	(32,290)
At 31 July 2009	101,348	78,768	(81,461)	98,655

	UNIVERSITY			
	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total £'000
At 1 August 2008	103,744	63,109	(48,250)	118,603
Surplus for Year	–	12,338	–	12,338
Historical Cost Adjustment	(2,396)	2,396	–	–
Pension Scheme	–	921	(921)	–
Actuarial Loss in Respect of Pension Scheme	–	–	(32,290)	(32,290)
At 31 July 2009	101,348	78,764	(81,461)	98,651

Notes to the Accounts (continued)

	CONSOLIDATED	
	2009	2008
	£'000	£'000
22 CAPITAL COMMITMENTS		
Commitments Contracted for at 31 July 2009	14,528	34,084
23 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Surplus Before Interest and Tax	17,822	11,307
Depreciation	11,058	12,181
Deferred Capital Grants Released to Income	(1,542)	(3,439)
Pension Adjustments to Staff Costs	(1,639)	570
Increase in Stocks	(24)	(2)
Increase in Debtors	(1,044)	(1,198)
Increase/(Decrease) in Creditors	3,965	(505)
Loss on Disposal of Fixed Assets	–	1,110
Impairment of Fixed Assets	–	1,129
Decrease in Provisions	(154)	(131)
Net Cash Inflow from Operating Activities	28,442	21,022

	CONSOLIDATED			
	Opening	Cash Flow	Other	Closing
	£'000	£'000	£'000	£'000
24 ANALYSIS OF CHANGES IN NET DEBT				
Cash and Bank	12,380	(2,371)	–	10,009
Debt Due Within One Year	(609)	609	(652)	(652)
Long Term Loans	(46,663)	–	652	(46,011)
Net Debt	(34,892)	(1,762)	–	(36,654)

CONSOLIDATED and UNIVERSITY

2009	2008
£'000	£'000

25 FINANCIAL COMMITMENTS

At 31 July 2009 the University had annual commitments under non-cancellable operating leases as follows:

Amounts Expiring Within One Year	116	134
Amounts Expiring Between One and Two Years	418	386
Amounts Expiring Between Two and Five Years	455	497
Amounts Expiring in More than Five Years	1,948	1,906
	2,937	2,923

Analysed by:

Property Rentals	2,412	2,393
Equipment Hire	514	518
Vehicle Hire	11	12

In 2003/04, the University entered into a thirty year Head Tenancy agreement for the letting of a student residence at an annual commitment of £542k. This however, should be fully offset by income from students.

26 PENSION SCHEMES**Pension and Similar Obligations**

The three pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Tyne & Wear Pension Fund (TWPF) which is a Local Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS). These are externally funded and contracted out of the State Earnings-Related Pension Scheme. Total employer costs in the year for the three schemes were £11,428k (2007/08 £12,699k), as detailed in Table 1.

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education.

Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to

Notes to the Accounts (continued)

assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 – 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

The value of contributions paid to the TPS in the year amounted to £8,937k (2007/08 £8,276k), see Table 2.

Tyne & Wear Pension Fund (TWPF)

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

During the year, the University's contribution rate for non-academic administrative staff was 14.6%.

The value of contributions paid to the TWPF in the year amounted to £9,287k (2007/08 £8,070k), see Table 3.

Financial Reporting Standard 17 (FRS 17): Retirement Benefits

The disclosures below relate to the funded liabilities of the Tyne & Wear Pension Fund (the "Fund"), which is part of the Local Government Pension Scheme (LGPS). Northumbria University participates in the Fund which provides defined benefits, based on members' final pensionable salary.

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Contributions for the year ended 31 July 2010

Regular employer contributions to the Fund for the year ended 31 July 2010 are estimated to be £7,100k. In addition, Strain on Fund Contributions may be required.

CONSOLIDATED and UNIVERSITY**2009** 2008
£'000 £'000**Table 1 – Employers Pension Contributions (Income and Expenditure)**

TPS	6,096	5,638
LGPS	4,943	4,257
USS	59	7
LGPS Capital Deficit	1,806	1,643
FRS 17	(1,639)	570
SSAP 24	163	584
Total	11,428	12,699

Table 2 – TPS Contributions

Employers	6,096	5,638
Employees	2,767	2,559
AVCs	74	79
Total	8,937	8,276

Table 3 – TWPF Contributions

Employers	4,943	4,257
Employees	2,229	1,875
AVCs	46	41
LGPS Capital Deficit	1,807	1,644
SSAP 24	262	253
Total	9,287	8,070

Notes to the Accounts (continued)

Assumptions

The latest actuarial valuation of the Fund took place as at 31 March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS 17 purposes were:

Principal Actuarial Assumptions	Year Ended 31 July 2009	Year Ended 31 July 2008	Year Ended 31 July 2007
Inflation	3.8%	3.8%	3.3%
Rate of general long term increase in salaries	5.3%	5.3%	4.8%
Rate of increase to pensions in payment	3.8%	3.8%	3.3%
Rate of increase to deferred pensions	3.8%	3.8%	3.3%
Discount Rate	6.0%	6.5%	5.7%

Post Retirement Mortality Assumptions

	At 31 July 2009 Years	At 31 July 2008 Years
Males		
Future lifetime from age 65 (currently aged 65)	19.9	19.1
Future lifetime from age 65 (currently aged 45)	22.1	21.0
Females		
Future lifetime from age 65 (currently aged 65)	22.8	22.1
Future lifetime from age 65 (currently aged 45)	25.0	23.3

Expected Return on Assets

	Long-term Expected Rate of Return at 31 July 2009	Asset split at 31 July 2009	Long-term Expected Rate of Return at 31 July 2008	Asset split at 31 July 2008	Long-term Expected Rate of Return at 31 July 2007	Asset split at 31 July 2007
	%	%	%	%	%	%
Equities	8.0	66.2	7.8	63.7	7.9	66.6
Property	7.0	6.8	6.8	9.5	6.9	9.8
Government Bonds	4.5	9.4	4.8	8.2	4.9	14.7
Corporate Bonds	5.9	12.5	6.5	12.2	5.7	8.0
Cash/Other	0.9	5.1	5.9	6.4	6.0	0.9
Total	7.0	100.0	7.2	100.0	7.2	100.0

Northumbria University employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 July 2009.

	Value at 31 July 2009	Value at 31 July 2008	Value at 31 July 2007
	£'000	£'000	£'000
Reconciliation of Funded Status to Balance Sheet			
Fair Value of Fund Assets	90,094	88,950	90,330
Present Value of Liabilities	(171,555)	(137,200)	(125,055)
Net Pension Liability	(81,461)	(48,250)	(34,725)

	Year Ended 31 July 2009	Year Ended 31 July 2008
	£'000	£'000
Analysis of Income and Expenditure Charge		
Current Service Cost	5,110	5,130
Past Service Cost	155	1,600
Interest Cost	9,080	7,260
Expected Return on Assets	(6,520)	(6,520)
Expense Recognised in Income and Expenditure	7,825	7,470

The Expense recognised in the Income and Expenditure was allocated £5,265k (2007/08 £6,730k) to Staff Pension Costs and £2,560k (2007/08 £740k) to Interest Payable.

Notes to the Accounts (continued)

	Year Ended 31 July 2009	Year Ended 31 July 2008
	£'000	£'000
Analysis of Net Charge to Income and Expenditure Account		
Expense Recognised in Income and Expenditure	7,825	7,470
Actual Payments Made	(6,904)	(6,160)
Net Charge to Income and Expenditure Account	921	1,310

	Value at 31 July 2009	Value at 31 July 2008
	£'000	£'000
Changes to the Present Value of Liabilities During the Year		
Present Value of Liabilities as at 1 August 2008	137,200	125,055
Current Service Cost	5,110	5,130
Interest Cost	9,080	7,260
Contributions by Participants	2,230	1,870
Actuarial Losses/(Gains) on Liabilities	20,170	(395)
Net Benefits Paid Out	(2,390)	(3,320)
Past Service Cost	155	1,600
Present Value of Liabilities as at 31 July 2009	171,555	137,200

	£'000	£'000
Changes to the Fair Value of Assets During the Year		
Fair Value of Assets as at 1 August 2008	88,950	90,330
Expected Return on Assets	6,520	6,520
Actuarial Losses on Assets	(12,120)	(12,610)
Contributions by Employer	6,904	6,160
Contributions by Participants	2,230	1,870
Net Benefits Paid Out	(2,390)	(3,320)
Fair Value of Assets as at 31 July 2009	90,094	88,950

	Year Ended 31 July 2009	Year Ended 31 July 2008
	£'000	£'000
Actual Return on Assets		
Expected Return on Assets	6,520	6,520
Actuarial Loss on Assets	(12,120)	(12,610)
Actual Return on Assets	(5,600)	(6,090)

Analysis of Amount in Statement of Total Recognised Gains and Losses (STRGL)

Total Losses	(32,290)	(12,215)
Total Loss in STRGL	(32,290)	(12,215)

	Value at 31 July 2009	Value at 31 July 2008	Value at 31 July 2007	Value at 31 July 2006	Value at 31 July 2005
	£'000	£'000	£'000	£'000	£'000
History of Asset Values, Present Value of Liabilities and Surplus/(Deficit)					
Fair Value of Assets	90,094	88,950	90,330	77,330	65,080
Present Value of Liabilities	(171,555)	(137,200)	(125,055)	(120,962)	(107,100)
Deficit	(81,461)	(48,250)	(34,725)	(43,632)	(42,020)

	Year Ended 31 July 2009	Year Ended 31 July 2008
	£'000	£'000
Historic Experience of Gains and Losses		
Experience Losses on Assets	(12,120)	(12,610)
Experience Losses on Liabilities	(390)	(3,690)

Notes to the Accounts (continued)

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is 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.

The appointment of directors to the board of trustees is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new 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.

The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Use of the standard mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	At 31 July 2009 Years	At 31 July 2008 Years
Currently aged 65		
Male	22.8	19.8
Female	24.8	22.8
Currently aged 45		
Male	24.0	
Female	25.9	

Valuation methods

The following different valuation methods were applicable to the scheme:

- The actuarial valuation undertaken at 31 March 2008 which assesses the funding position of the scheme (whether there are sufficient assets to meet future liabilities), thereby determining the future employer contributions to the scheme;
- The estimated actuarial valuation at 31 March 2009, updated to reflect the change in market conditions and the impact on the funding of the scheme;
- The valuation of the pension scheme on an FRS 17 basis which represents an estimate of the ability of the scheme to meet its liabilities as they fall due in future based on a series of actuarial assumptions; and
- The buy-out basis which reflects the current market position.

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Estimated actuarial valuation at 31 March 2009

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

	CONSOLIDATED & UNIVERSITY	
	2009	2008
	£'000	£'000
27 EXTERNAL FUNDS		
a) Access Funds		
As at 1 August 2008	67	131
Funding Council Grants	689	837
Interest Earned	6	7
	762	975
Disbursed to Students	(578)	(882)
Administration Fees	(21)	(26)
As at 31 July 2009 (Included in Creditors – Note 16)	163	67

The University is allowed to charge an admin fee of up to 3% of the Grant.

b) Training and Development Agency (TDA) Bursaries		
As at 1 August 2008	450	421
Funding Council Grants	1,442	1,914
	1,892	2,335
Payments to Trainees	(1,524)	(1,885)
As at 31 July 2009 (Included in Creditors – Note 16)	368	450

Funding Council grants are available solely for students: the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

28 RELATED PARTY TRANSACTIONS

The University has taken advantage of the disclosure exemption under FRS 8, which applies to transactions and balances between group entities that have been eliminated on consolidation.

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

	Sales	Purchases	Debtor	Creditor
	£'000	£'000	£'000	£'000
Ward Hadaway	45	5	–	–
Gavin Black & Partners	–	5	–	–
Short Richardson & Forth LLP	–	1	–	–
University of Northumbria Students' Union	58	832	55	4
British Engines Ltd.	15	–	–	–
Tyne & Wear Enterprise Ltd.	13	–	–	–