

**nu06-07**

northumbria

# Financial Statements 2006–07

Cover photograph: Dramatic view of the light-well in the new building housing the School of Law and Newcastle Business School

Northumbria University is the trading name of the University of Northumbria at Newcastle

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# Statement of the Deputy Vice-Chancellor (Resources)



Northumbria University is constantly reviewing its progress and refining its plans and 2007 has seen the publication of a new Corporate Plan for 2007–2010. In doing so it has refreshed its Vision;

“to be one of the world’s leading learning and teaching universities, renowned for the excellence of the student experience, innovative research-based practice and high quality research and enterprise, together transforming the communities it serves”.

The Corporate Plan has been developed against a backdrop of increasing competition and market volatility within the UK HE sector. Over the next period of business the University will continue to establish a virtuous circle of development in which it will create the environment, both intellectually and physically, to attract and retain good staff who will provide the great learning, great experience and great future that will attract and retain good students, who will bring the income that is needed to support continuing investment. By this means the University will secure its future success.

The results for 2006/07 show that the University continues to make significant progress in pursuit of its Vision and that its financial base continues to strengthen, facilitating major investment in the estate and increasing balance sheet value.

The University’s financial performance is summarised as:

## Results for the Year

	£m 2006/07	£m 2005/06
Income	<b>165.6</b>	152.0
Expenditure	<b>154.3</b>	140.9
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax	<b>11.3</b>	11.1
Loss on Disposal of Fixed Assets	<b>4.3</b>	-
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	<b>1.7</b>	1.7
Historical Cost Surplus for the Year	<b>8.7</b>	12.8
<i>Surplus Percentage</i>	<b>5.3%</b>	8.4%

Income includes for the first time the benefit of top up fees from UK and EU students on programmes funded by the Higher Education Funding Council for England (HEFCE),

which with other growth in business activities has resulted in income rising by 8.9% to £165.6m. Expenditure has been well managed, in particular staffing costs which have risen by only 4.7% compared to last year despite above inflation pay awards to all staff as a consequence of the outcome of National Pay Agreements and the continuing impact of the local pay modernisation framework. Non staff expenditure includes some one-off costs associated with the major development of the University’s Newcastle City Centre Campus, and an increase of £2.7m over last year in the depreciation charge as the asset write off period for IT equipment has been reduced to three years.

After inclusion of the above one-off items the Surplus on Continuing Operations at £11.3m shows growth of 1.7% and at 6.8% of income is likely to be in the upper decile of performance within the UK HE sector. Also charged in the year is a Loss on Disposal of Fixed Assets of £4.3m, of which £3.9m represents the costs of construction of a major pedestrian bridge linking the two University sites in the centre of Newcastle, as well as £0.4m for the demolition of the rear of Rutherford Hall to facilitate access to the bridge. When fully complete the University will transfer the ownership and on-going maintenance of the inter-site bridge to Newcastle City Council, so write-off of the expenditure is an appropriate accounting treatment. The Historic Cost Surplus for the Year is £8.7m, representing 5.3% of income which is in line with the strategic target contained within the University’s Financial Strategy.

## Income

Income in the year increased to £165.6m. By far the biggest area of activity within the University is teaching to both home and overseas students either in the UK or abroad. The strong growth in income generation is a direct result of the success the University continues to have year on year in recruiting students to the targets that it sets itself across all areas of activity.

In the year, the recurrent grant from HEFCE increased from £52.6m to £56.2m as a consequence of a small increase in additional funded numbers, additional monies for widening participation and the consolidation into the main grant of the rewarding and developing staff fund of £1.4m. The University also received specific grants from HEFCE to the value of £5.2m for funded projects focused on Centre for Excellence for Teaching and Learning for Assessment, HEIF3 monies, Strategic Development Funds for Urban Regeneration and specific funding from the Joint Information Systems Committee (JISC). The income levels

reflect activity undertaken and the University has performed as planned in these areas. The Training and Development Agency (TDA) contract at £3.1m was as planned with the exception of a 1% net hold back in the year.

In addition to the sources of funds from public bodies for teaching and learning, the University has also generated some £71.6m from tuition fees and education contracts, a rise of 17.9% over last year. The most significant increase is in full time home tuition fees which have risen by £7.3m to £24.3m mainly as a consequence of the receipt of top up fee income from students for the first time to the value of £6.5m. It is also pleasing to report an increase of 7.9% in the fees from overseas students taught in the UK to a value of £18.8m. This is a very commendable performance given the competitive market for recruiting international students and reflects well on the combined activities of the University's International Office and Schools.

The Nursing Education Contract with the local NHS exceeded budget and rose by £0.7m to £20.3m over the last year. The fact that this income stream has continued to grow, whilst elsewhere in the UK reductions are being recorded, highlights the strong and progressive relationship the University enjoys with the local Strategic Health Authority.

Research income in the year has dropped from £5.7m to £3.8m. Two major factors contributed to this, the first being the reduction of funding within the NHS for relevant research activities compared to the high levels achieved in previous years and the second was that the University diverted research and resource capability into fulfilling HEIF 3 and Urban Regeneration projects. As gaps in research and consultancy activity emerged, other significant opportunities were seized, in particular, a second contract was secured with the Egyptian Education Ministry to provide programmes for teachers and a new collaboration with the progressive and internationally recognised University of St Georges in Grenada to deliver anatomy to its medical students.

Other Operating Income includes Accommodation and Catering which covers the income generated from the student halls of residence and the catering outlets around the campuses and conference attendees. Overall this income was on target at £8.9m. Other Academic Income at £6.6m saw the benefit of the St Georges contract, giving an increase of 5.4% over last year. Other Services income generated £7.3m, up 10.2% on last year. This category also contains diverse income streams including release of deferred capital grants, shop sales, sports centre subscriptions, car parking income, nursery fees and library

finances. It also includes the benefit of £0.4m received from the Northern Rock Foundation as a grant paid towards the costs of the inter-site bridge.

It is worthwhile noting that the University's income in the last 5 years has grown by 51.9%, reflecting the strength and diversity of the University's academic portfolio and support services.

## Expenditure

A key aim of the University has been to 'Conduct prudent and robust financial management for cost effective operation, sustained investment and enhanced balance sheet value.' The consequence, as the University strives for growth, is the continuous focus on appropriate cost management. In 2006/07, it is pleasing to report almost all of the University's operational areas controlled expenditure within the allocated budget.

As previously mentioned, despite considerable external pressures particularly on salary expenditure, the University has managed to deliver income increases of 8.9% whilst at the same time containing salary growth to only 4.7%. Total salary expenditure at £92.4m represents 55.8% of income and continues to be within the internal targets set by the Financial Strategy of the University. The average number of Full Time Equivalent (FTE) staff year on year has increased marginally by only 22 to 2,472.

Other Operating Expenditures have risen from £42.1m to £48.4m. Included within this are the following significant changes:

- Annual investment in Books and Periodicals has risen by 11.4% to £2.4m
- Scholarships and Mandatory Bursaries of £2.3m were paid via the new student scholarship scheme designed to attract and retain students at the University with the advent of top-up fees.
- Repairs and Maintenance expenditure has risen by £1.0m to £5.0m and includes specific expenditure to upgrade student residences to accommodate the Egyptian teachers as well as further work throughout the University in support of enhancing the facilities as part of the Estates Development Strategy.
- Professional Services expenditure shows a significant rise from £4.5m to £6.4m and included here are one off costs associated with the purchase of the Air Rights above a railway line running through Newcastle City Campus of £0.6m as well as recurrent costs associated with the Egyptian Contract.

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# Statement of the Deputy Vice-Chancellor (Resources)

(continued)

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- A net reduction in Other Expenses to the value of £1.1m mainly as a result of the University reviewing its agreement with HM Revenue & Customs as regards its partial exemption VAT recovery scheme.

## Balance Sheet

Previous reports have highlighted the exciting Estates Development Strategy being pursued by the University, the first phase of which has seen the delivery in the year of 24,000 square metres of new academic space on the City Campus East (CCE) site acquired in Newcastle City Centre adjacent to the University's existing site. These new buildings have been completed on time and within budget and were available for teaching at the start of the 2007/8 academic year. These impressive buildings offer state of the art facilities for both students and staff of the School of Design, School of Law and Newcastle Business School. Furthermore, these new buildings include lecture theatres, hub spaces, catering outlets and significant IT and AV assets. Additionally, Newcastle Business School has the benefit of Harvard style lecture theatres which will be used for the teaching of post graduate students and corporate programmes.

In total the University has spent £54.9m on capital additions, the majority of which has been spent on the two new buildings at CCE. This has added significantly to the University's fixed asset base which is now £215.4m some £39.8m more than that reported at the end of the previous financial year.

In the year the University took the opportunity to remove a number of fully depreciated equipment assets over 8 years old.

The University continues to effectively manage its debtors base, which include student, commercial and franchise partners, resulting in a closing debt position of £7.4m, some £1.3m lower than the previous year end. Creditors at the year end have risen from £29.5m to £37.2m reflecting the sizeable increase in estates development, which include not only monies due to the main contractors but also to furniture and ICT suppliers. The University also reflects on its balance sheet its pension liability under FRS 17 (Retirement benefits) which relates to the pension scheme available to non academic staff, which is the Tyne & Wear Pension Fund, a Local Authority managed scheme. The pension liability reduced significantly in the year by £8.9m to £34.7m, reflecting a strong performance of the scheme and changes in the liability assumptions.

## Cash Flow

Significant focus has been retained on cash generation and cash management. In the year, an impressive £30.8m has been generated from operating activities. After allowing for interest receipts and interest payments as well as the receipt of capital grants, the University has been able to fund the £54.9m of capital expenditure in the year whilst only borrowing £22.0m. The borrowing is with the University's main banker, Barclays, and is part of a renegotiated £96.0m seven year Revolving Credit Facility (RCF) designed to facilitate the major expansion of the University's estate. At the end of the financial year, the University had utilised £47.4m of that facility. The University is very grateful for the continued support it receives from its bankers.

## Summary

Overall the University has had another successful year, continuing the trends of the previous years. This successful performance from both the business and financial management perspective can be highlighted by the fact that in the period of the last 5 years, whilst the University's income has grown by 51.9%, the University has been able to spend £131m on fixed assets, mainly land and buildings and in that period borrowings have risen by £14m and cash has also risen by £11m, therefore, £128m out of the £131m capital expenditure has been funded by internal cash generation.

The University has a track record of achieving a high annual operating surplus as a percentage of income, amongst the highest in the sector. This surplus is not achieved at the cost of under investment. Current investment continues on an annual basis in terms of student support and student facilities as well as investment in training and development for both academic and support staff. The University has been able to make its major investments mainly from internal cash generation. This financial success is enabled by the culture of good management of resources which is embedded across the University Schools and Services and complements other aspects of the University's financial strategy which encourages enterprise, business diversity and growth.

## D Chesser BSc ACA

*Deputy Vice-Chancellor (Resources) and Finance Director*

17 December 2007

# Corporate Governance Statement

## Principles of University Governance

The Board of Governors has formally reviewed its compliance with the CUC Governance Code of Practice of November 2004, and affirmed its commitment to the Code. In 2005 it adopted a Statement of Primary Responsibilities for the Board, which is supplied to members on joining 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 Plan 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 senior post holders;
- (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 objects, 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 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.

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# Corporate Governance Statement

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## 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 normally meet five times a year, with additional meetings if appropriate. Much of its work is initially handled by its Committees, notably the Employment and Finance Committee, the Audit Committee, Nominations Committee and 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 2006/07 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. A Board Review meeting was held in July 2007, where the revised University Vision and Mission, Corporate Plan 2007-2010 and 9 major Strategies were reviewed and subsequently approved by the Board. At the same time, the Review meeting considered University performance against a range of Key Performance Indicators, developed through the Governance Group of the Board, using the CUC Report on the Monitoring of Institutional Performance and Use of Key Performance Indicators as its starting point. The Review meeting considered an evaluation exercise of governance, in 2007 and this is being carried through into 2007/08 as each major committee and sub-committee reflects upon its own performance and reports to the Board. The exercise is being used to enhance governor activity and strengthen committee membership for 2007/08

The Audit Committee operated in 2006/07 under terms of reference agreed in 2004/05 and met five times. The Committee under its new Chairman has continued its focus in 2006/07 on its role in respect of corporate governance, risk management and value for money. It also ensures

adherence to University policies and procedures and oversees public interest disclosures and fraud investigation 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 receive monthly reports on the University's financial position.

Each Board meeting receives regular current financial reports, which were also reviewed by members of the Board throughout the year during 2006/07. Active governance oversight of the University's major City Centre estate development project has been undertaken by the Board and its relevant committees in 2006/07 with reports submitted to all major Board and Committee meetings as well as weekly to the University's senior management team. The new City Centre Campus East opened on schedule in September 2007. Further developments in 2007/08 will continue with the Board and its committee exercising similar oversight.

The Nominations Committee has paid especial attention during 2006/07 to refreshing and renewing Board membership by balancing the skills sets looked for in its independent and additional members. It has also continued to pay particular attention to the need to ensure that the Board's composition is reflective of, and relates to the multiple strands of contemporary society. It advertised nationally in 2007 to assist in filling future vacancies in Board membership, as recommended by the CUC Code, and following this process, one new member has joined the Board in 2007/08, and a further two vacancies will be filled during this year. A notable feature of the Nominations Committee work has been succession planning for the Chairmanship of the Board, when the current Chairman retires in 2009. A Chairman- Designate has been appointed, who becomes Deputy Chairman in 2008/09, and Chairman in 2009/10.

During 2006/07, on the recommendation of the Vice-Chancellor and Nominations Committee, a Board member, Professor Phil Mars resigned membership for the period 1 January to 30 June, to take up duties as Executive Research and Enterprise Consultant and Adviser to the Vice-Chancellor, following the resignation of a Deputy Vice-Chancellor. He was reappointed to Board membership from 1 July 2007, on the recommendation of the Nominations Committee.

## 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.

The University Executive led by the Vice-Chancellor contributes actively to this work, meeting weekly as the Senior Management Team and monthly in formal Executive session. Ultimately, however, responsibility for Executive management rests with the Vice-Chancellor.

## Statement of Internal Control

The University has now completed its fifth year of successfully embedding risk management, 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. The 2006 Register of Key University Risks has been followed by a mid-term review in 2007, reflecting risks identified by all University academic schools and services. The outcome of this, endorsed at management and governance levels, was a University Register of Key Risks identifying 9 prioritised risks for the institution, with cause and effect and current controls and mitigations for each.

The Risk Management Coordinating Group (RMCG) of the University Executive 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, have been kept abreast of progress in implementation of University risk management policy and take risk management into account in their respective work for the University.

With the encouragement of the Audit Committee the University continued its active engagement in benchmarking its risk management internationally, and also against corporate risk management in the UK.

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# Register of Board Members and Professional Advisors

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## Chancellor

The Lord Stevens of Kirkwhelpington

## Governors

Mr P Allan, OBE

Ms L Armstrong

Mrs M Barrell (To 25 February 2007)

Mr H Biddle (Deputy Chairman and Pro Chancellor)

Mr G M Black (Chairman and Pro Chancellor)

Lord Tom Burlison

Mr M Carline (Students' Union, Vice President)

Professor P Croney

Professor J K Fidler (Vice-Chancellor)

Mr G Gill, CBE

Mrs P Hodgson, OBE (To 31 July 2007)

Mr R Howard (To 31 July 2007)

Mr A Irons

Mr J Josephs

Professor P Mars (1 August to 31 December, and from 1 July 2007)

Ms L Miles

Dr M Norrie (From 1 September 2006)

Mr S Reid (Students' Union, President)

Mr M Short

Mr J Taylor (From 26 February 2007)

Mr W Teasdale

Mrs E Thompson

Mrs R Thompson, OBE (From 1 September 2006)

Mr A Winter, OBE

## 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

## University Secretary and Secretary to the Board of Governors

Mr R A Bott

## Corporate Office

Ellison Building

Ellison Place

Newcastle upon Tyne

NE1 8ST

Telephone (0191) 227 4010

# Responsibilities of the University's Board of Governors

The Governors are listed on page 8.

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. Ensure that 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.

**G M Black**  
*Chairman*

**Professor J K Fidler**  
*Vice-Chancellor*

17 December 2007

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# Independent Auditors' Report to the Governing Body of Northumbria University

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We have audited the financial statements' (the financial statements') of Northumbria University for the year ended 31 July 2007 which comprise the Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in 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 the Governing Body's Responsibilities.

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 if, in our opinion, the institution has not kept proper accounting

records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only Statement of the Deputy Vice-Chancellor (Resources) and the Corporate Governance and Internal Control Statement.

We also review the Statement of Internal Control included as part of the Corporate Governance and Internal Control Statement and comment if the statement is inconsistent with our knowledge of the institution and group. 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 group'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.

## 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 Code of Practice. 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 group'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 and the group at 31 July 2007, and of the surplus of income over expenditure,

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recognised gains and losses and cashflows for the year then ended, and 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;

- ii. 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;
- iii. 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 (2006/24) 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

17 December 2007

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.

# Consolidated Income and Expenditure Account

for the year ended 31 July 2007

	Note	2007 £'000	2006 £'000
<b>INCOME</b>			
Funding Council Grants	2	<b>65,654</b>	61,322
Tuition Fees and Education Contracts	3	<b>71,634</b>	60,773
Research Grants and Contracts	4	<b>3,765</b>	5,747
Other Operating Income	5	<b>24,036</b>	23,406
Interest Receivable	6	<b>541</b>	760
<b>Total Income</b>		<b>165,630</b>	152,008
<b>EXPENDITURE</b>			
Staff Costs	7	<b>92,441</b>	88,294
Other Operating Expenses	8	<b>48,368</b>	42,118
Interest Payable	9	<b>2,809</b>	2,519
Depreciation	13	<b>10,722</b>	7,979
<b>Total Expenditure</b>		<b>154,340</b>	140,910
Surplus on Continuing Operations		<b>11,290</b>	11,098
Loss on Disposal of Fixed Assets	13	<b>4,336</b>	12
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Disposal of Assets but Before Tax		<b>6,954</b>	11,086
Taxation	11	–	–
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax	12	<b>6,954</b>	11,086

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 2007

	Note	2007 £'000	2006 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax		<b>6,954</b>	11,086
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	21	<b>1,756</b>	1,756
<b>Historical Cost Surplus for the Year</b>		<b>8,710</b>	12,842

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# Statement of Total Recognised Gains and Losses

for the year ended 31 July 2007

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	Note	2007 £'000	2006 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax		<b>6,954</b>	11,086
Actuarial Gain/(Loss) in Respect of Pension Scheme		<b>9,940</b>	(730)
<b>Total Recognised Gains for the Year</b>		<b>16,894</b>	10,356

## RECONCILIATION

Opening Reserves		<b>74,322</b>	63,966
<b>Total Recognised Gains for the Year</b>		<b>16,894</b>	10,356
<b>Closing Reserves</b>	21	<b>91,216</b>	74,322

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# Balance Sheets

at 31 July 2007

	Note	CONSOLIDATED		UNIVERSITY	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>FIXED ASSETS</b>					
Tangible Fixed Assets	13	215,420	175,647	215,416	175,634
Investments	14	–	–	543	543
		<b>215,420</b>	175,647	<b>215,959</b>	176,177
<b>CURRENT ASSETS</b>					
Stocks		56	56	56	56
Debtors	15	7,411	8,666	9,294	10,778
Cash at Bank and in Hand		11,792	13,185	10,188	11,667
		<b>19,259</b>	21,907	<b>19,538</b>	22,501
Creditors – Amounts Falling Due Within One Year	16	(37,228)	(29,473)	(36,661)	(29,059)
		<b>(17,969)</b>	(7,566)	<b>(17,123)</b>	(6,558)
<b>NET CURRENT LIABILITIES</b>					
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<b>197,451</b>	168,081	<b>198,836</b>	169,619
Creditors – Amounts Falling Due After More Than One Year	17	(47,907)	(26,533)	(47,907)	(26,533)
Provisions for Liabilities and Charges	19	(2,418)	(2,496)	(2,418)	(2,496)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>					
		<b>147,126</b>	139,052	<b>148,511</b>	140,590
Pension Liability	27	(34,725)	(43,632)	(34,725)	(43,632)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>					
		<b>112,401</b>	95,420	<b>113,786</b>	96,958
<b>REPRESENTED BY:</b>					
Deferred Capital Grants	20	21,185	21,098	21,185	21,098
<b>RESERVES</b>					
Revaluation Reserve	21	75,491	77,247	75,491	77,247
Revenue Reserve Excluding Pension Reserve	21	50,450	40,707	51,835	42,245
Pension Reserve	21	(34,725)	(43,632)	(34,725)	(43,632)
Revenue Reserve Including Pension Reserve		15,725	(2,925)	17,110	(1,387)
<b>TOTAL RESERVES</b>					
	21	<b>91,216</b>	74,322	<b>92,601</b>	75,860
<b>TOTAL</b>					
		<b>112,401</b>	95,420	<b>113,786</b>	96,958

The Financial Statements on pages 12 to 36 were approved by Governors on 17 December 2007 and signed on their behalf by:

**G M Black**  
Chairman

**Professor J K Fidler**  
Vice-Chancellor

# Consolidated Cash Flow Statement

for the year ended 31 July 2007

	Note	2007 £'000	2006 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
	24	<b>30,763</b>	20,873
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Income from Short Term Investments		541	760
Interest Element of Finance Lease Rental Payments		(2)	(7)
Interest Paid		(1,717)	(1,492)
Net Cash Outflow from Returns on Investments and Servicing of Finance		<b>(1,178)</b>	(739)
<b>TAXATION</b>			
		-	-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to Acquire Tangible Assets		<b>(54,870)</b>	(30,920)
Proceeds from Sale of Tangible Fixed Assets		431	392
Deferred Capital Grants Received		1,969	10,751
Net Cash Outflow from Capital Expenditure and Financial Investment		<b>(52,470)</b>	(19,777)
<b>FINANCING</b>			
New Secured Long Term Loans		22,000	-
New Finance Lease Obligations		-	120
Repayment of Finance Lease Obligations		(30)	(90)
Repayment of Long Term Loans		(478)	(120)
Net Cash Inflow/(Outflow) from Financing		<b>21,492</b>	(90)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>			
		<b>(1,393)</b>	267
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT</b>			
(Decrease)/Increase in Cash in the Year		<b>(1,393)</b>	267
(Increase)/Decrease in Debt in the Year		<b>(21,492)</b>	90
Movement in Net Debt in the Year	25	<b>(22,885)</b>	357
Net Debt as at 1 August 2006		<b>(12,725)</b>	(13,082)
Net Debt as at 31 July 2007	25	<b>(35,610)</b>	(12,725)

# Notes to the Accounts

## 1. APPLICATION OF 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

These 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 2007. 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 two principal pension schemes for the University's staff are the Teachers Pension Scheme (TPS), for academic staff and the Tyne and Wear Pension Fund (TWPF) for those staff not included as academic.

The University has now fully adopted the requirements of FRS 17 'Accounting for retirement benefits'.

### 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 as incurred in line with FRS 12 'Provisions, Contingencies and Commitments'. Expenditure that extends the useful life of an asset or enhances an asset is capitalised as defined by FRS 15 'Tangible fixed assets'.

### 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.

The University's Property Advisors, Atisreal Ltd, 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.

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# Notes to the Accounts

(continued)

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## *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	
	2007	2006
	£'000	£'000
<b>2 FUNDING COUNCIL GRANTS</b>		
Recurrent Grant Received from HEFCE	56,225	52,553
Specific Grants	5,220	4,987
Training and Development Agency	3,094	2,935
Releases from Deferred Capital Grants:		
Buildings	485	276
Equipment	630	571
	<b>65,654</b>	<b>61,322</b>
<b>3 TUITION FEES AND EDUCATION CONTRACTS</b>		
Full-Time Home Fees	24,341	17,049
Part-Time Home Fees	4,235	4,021
Overseas Fees	18,828	17,442
Short Courses	3,914	2,629
Nursing Education Contract	20,316	19,632
	<b>71,634</b>	<b>60,773</b>
<b>4 RESEARCH GRANTS AND CONTRACTS</b>		
Research Councils	528	414
UK Based Charities	345	404
European Commission	417	744
Other Grants and Contracts	2,475	4,185
	<b>3,765</b>	<b>5,747</b>
Total research grants and contracts income (including that receivable from the Funding Council in Note 2 above) amounted to £5,067k (2006 £6,976k)		
<b>5 OTHER OPERATING INCOME</b>		
Accommodation and Catering	8,893	9,010
Compensation Income	–	750
Course Related Income – Health Authority	58	44
Other Academic Income:		
Art Sales	203	138
Consultancy	885	746
Non Credit Bearing Programmes	778	841
Collaborative Ventures	3,867	3,390
Others	863	1,142
Other Services Rendered	7,297	6,620
Release from Deferred Revenue Grants	55	53
Releases from Deferred Capital Grants (non Funding Council):		
Buildings	532	75
Equipment	605	597
	<b>24,036</b>	<b>23,406</b>

# Notes to the Accounts

(continued)

	CONSOLIDATED	
	2007 £'000	2006 £'000
<b>6 INTEREST RECEIVABLE</b>		
Income from Short Term Investments	541	760
<b>7 STAFF COSTS</b>		
Salaries and Wages	75,758	72,718
Social Security Costs	6,041	5,816
Pension Costs	10,642	9,760
	<b>92,441</b>	<b>88,294</b>

## Emoluments of the Vice-Chancellor

Remuneration	184	175
Compensation for Capped Employer Pension Contributions	36	40
Benefits in Kind	2	1
	<b>222</b>	<b>216</b>

Pension Contributions	15	14
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The University's pension contributions to the Teachers' Pension Scheme on behalf of the Vice-Chancellor are paid at the same rates as for other academic staff.

	2007 Staff FTE	2006 Staff FTE
<b>Average Staff Numbers (expressed as full time equivalents (FTE))</b>		
Academic	1,031	1,035
Academic Support	330	316
Student Support	169	164
Estates & Accommodation	408	393
Administration and Central Services	534	542
	<b>2,472</b>	<b>2,450</b>

	2007 Staff FTE	2006 Staff FTE
<b>Remuneration of other Higher Paid Staff (Excluding Employers NI and Superannuation)</b>		
£70,000 – £79,999	10	7
£80,000 – £89,999	6	2
£90,000 – £99,999	2	2
£100,000 – £109,999	1	–
£110,000 – £119,999	1	2
£120,000 – £129,999	–	1
£150,000 – £159,999	–	1
	<b>CONSOLIDATED</b>	
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>8 OTHER OPERATING EXPENSES</b>		
Accommodation and Catering	2,346	2,053
Auditors' Remuneration:		
University External Audit	62	60
Subsidiaries External Audit	12	12
Other Services From External Audit	46	63
Internal Audit Services	117	108
Books and Periodicals	2,423	2,175
IT Supplies and Equipment	6,332	6,077
Marketing and Publicity	623	640
Non-Established Staff Expenses	1,962	1,962
Printing, Postage and Stationery	1,636	1,627
Professional Services	6,447	4,470
Recruitment and Relocation	442	306
Rent, Rates and Utilities	6,177	6,079
Repairs and Maintenance	5,031	4,052
Scholarships and Mandatory Bursaries	2,339	–
Staff Development	277	321
Student Recruitment Costs	3,811	3,208
Telephone	749	741
Travel and Subsistence	4,421	3,901
Other Expenses:		
Bank Charges	259	114
Student Placement Fees	1,279	1,022
Students' Union Grant	610	545
Subscriptions and Registration Fees	702	522
Others	265	2,060
	<b>48,368</b>	<b>42,118</b>

Other Operating Expenses include Operating Leases of £2,800k (2006 £2,467k)

# Notes to the Accounts

(continued)

	CONSOLIDATED	
	2007 £'000	2006 £'000
<b>9 INTEREST PAYABLE</b>		
On Bank Loans and Overdrafts:		
Repayable Within 5 Years	37	73
Repayable Wholly or Partly in More than 5 Years	1,680	1,419
	<b>1,717</b>	1,492
On Finance Leases	2	7
On Pension Scheme	1,090	1,020
	<b>2,809</b>	2,519

	CONSOLIDATED			
	Staff Costs £'000	Other Operating Expenses £'000	Interest Payable £'000	Total £'000
<b>10 ANALYSIS OF 2006/07 EXPENDITURE BY ACTIVITY</b>				
Academic Schools	57,156	13,785	–	70,941
Academic Services	9,096	6,435	–	15,531
Administration	16,296	12,886	–	29,182
Premises	5,638	8,628	1,719	15,985
Residences, Catering and Conferences	2,628	5,723	–	8,351
Research Grants and Contracts	1,627	911	–	2,538
Other Expenses	–	–	1,090	1,090
	<b>92,441</b>	<b>48,368</b>	<b>2,809</b>	<b>143,618</b>
Depreciation				10,722
				<b>154,340</b>

The depreciation charge has been funded by:

	Note	£'000
Deferred Capital Grants Released	20	2,252
Revaluation Reserve Released	21	1,756
General Income		6,714
		<b>10,722</b>

## 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.

<b>2007</b>	2006
<b>£'000</b>	£'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	<b>7,040</b>	11,392
Deficit on Consolidation	<b>(146)</b>	(112)
Surplus/(Loss) Generated by the Subsidiary Undertakings	<b>60</b>	(194)
	<b>6,954</b>	11,086

The Deficit on Consolidation is the difference between the Cost of Books Capitalised (£1,442k) and the Book Depreciation Charge (£1,296k).

# Notes to the Accounts

(continued)

	<b>CONSOLIDATED</b>				
	Freehold Land & Buildings £'000	Leasehold Land & Buildings £'000	Equipment £'000	Assets Under Construction £'000	Total £'000
<b>13 TANGIBLE FIXED ASSETS</b>					
Valuation/Cost at 1 August 2006	141,729	2,379	47,133	24,447	215,688
Additions at Cost	–	–	3,040	51,830	54,870
Work in Progress Completed	7,435	–	1,102	(8,537)	–
Disposals	(434)	–	(14,696)	(3,926)	(19,056)
Valuation/Cost at 31 July 2007	148,730	2,379	36,579	63,814	251,502
Depreciation at 1 August 2006	3,315	169	36,557	–	40,041
Charge for Year	4,008	191	6,523	–	10,722
Disposals	(24)	–	(14,657)	–	(14,681)
Depreciation at 31 July 2007	7,299	360	28,423	–	36,082
Net Book Value at 31 July 2007	141,431	2,019	8,156	63,814	215,420
Net Book Value at 31 July 2006	138,414	2,210	10,576	24,447	175,647

	UNIVERSITY				
	Freehold Land & Buildings £'000	Leasehold Land & Buildings £'000	Equipment £'000	Assets under Construction £'000	Total £'000
Valuation/Cost at 1 August 2006	141,729	2,379	47,114	24,447	215,669
Additions at Cost	–	–	3,040	51,830	54,870
Work in Progress Completed	7,435	–	1,102	(8,537)	–
Disposals	(434)	–	(14,696)	(3,926)	(19,056)
Valuation/Cost at 31 July 2007	148,730	2,379	36,560	63,814	251,483
Depreciation at 1 August 2006	3,315	169	36,551	–	40,035
Charge for Year	4,008	191	6,514	–	10,713
Disposals	(24)	–	(14,657)	–	(14,681)
Depreciation at 31 July 2007	7,299	360	28,408	–	36,067
Net Book Value at 31 July 2007	141,431	2,019	8,152	63,814	215,416
Net Book Value at 31 July 2006	138,414	2,210	10,563	24,447	175,634

### Disposals

The University incurred expenditure of £3,926k in relation to the construction of a pedestrian bridge linking the main City Centre Campus to the new campus. This bridge will not be ultimately owned by the University, and as such, the University has decided to treat it as an addition and disposal in the year.

The University has taken the opportunity during the year to dispose of £14,626k of Equipment from the Asset Register. This equipment was fully written to nil value and therefore has nil effect on the Income & Expenditure account.

### Depreciation

Computer lives have been reduced from 5 years to 3 years. This has resulted in an additional Depreciation charge during the year of £2,273k (£2,267k for the University).

### 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	(4,725)
Net Book Value Based on Cost	37,403

# Notes to the Accounts

(continued)

	CONSOLIDATED		UNIVERSITY	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000

## 14 INVESTMENTS

Investment in Subsidiaries at Cost	-	-	543	543
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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	542,531
Northumbria Learning Limited	Development of IT and Internet-based Learning Solutions	100 £1 Ordinary Shares	100
Northumbria International Limited	Support Services for Overseas Activities	1 £1 Ordinary Share	1
ETR2A Limited	Dormant	Limited by Guarantee	-
			542,634

## Post Balance Sheet Event

The University of Northumbria at Newcastle sold 81% of its shareholding in Northumbria Learning Limited on 7 September 2007. This sale has no impact on the Financial Statements for the year ending 31 July 2007.

	CONSOLIDATED		UNIVERSITY	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000

## 15 DEBTORS

Debtors	4,545	5,375	4,091	4,891
Amounts Owed by Subsidiary Undertakings	-	-	2,463	2,940
Prepayments and Accrued Income	2,741	3,198	2,615	2,866
Other Debtors	125	93	125	81
	7,411	8,666	9,294	10,778

	CONSOLIDATED		UNIVERSITY	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>16 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
Mortgages and Secured Loans (Note 18)	478	478	478	478
Trade Creditors	14,225	11,687	14,205	11,635
Amounts Owed to Subsidiary Undertakings	–	–	52	107
Obligations Under Finance Leases (Note 23)	–	30	–	30
Social Security and Other Taxation Payable	1,998	1,966	1,998	1,966
Accruals and Deferred Income	19,674	14,090	19,075	13,621
Other Creditors	301	785	301	785
External Funds (Note 28)	552	437	552	437
	<b>37,228</b>	<b>29,473</b>	<b>36,661</b>	<b>29,059</b>

	CONSOLIDATED and UNIVERSITY	
	2007 £'000	2006 £'000
<b>17 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Mortgages and Secured Loans (Note 18)	46,924	25,402
Accruals and Deferred Income	983	1,131
	<b>47,907</b>	<b>26,533</b>

<b>18 BORROWINGS</b>						
Summary of bank borrowings at 31 July 2007.						
Lender	Type	Date	Term	Interest Rates	Due Within One Year £'000	Due in More Than One Year £'000
Barclays	Term Loan	10 March 2004	25 Years	Fixed at 5.8%	478	9,924
Barclays	Revolving Credit Facility	29 July 2006	Up to 7 Years:	Capped at 5.0%	–	25,000
				Fixed at 5.7%	–	2,000
				Fixed at 5.8%	–	10,000
					<b>478</b>	<b>46,924</b>

# Notes to the Accounts

(continued)

	<b>CONSOLIDATED and UNIVERSITY</b>
	Pension £'000
<b>19 PROVISIONS FOR LIABILITIES AND CHARGES</b>	
At 1 August 2006	2,496
Expenditure in the Period	(241)
Transfer from Income & Expenditure Account	163
At 31 July 2007	2,418

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

	<b>CONSOLIDATED and UNIVERSITY</b>		
	Funding Council £'000	Other £'000	Total £'000
<b>20 DEFERRED CAPITAL GRANTS</b>			
At 1 August 2006			
Buildings	15,777	1,635	17,412
Equipment	2,169	1,517	3,686
Total	17,946	3,152	21,098
Grant Received			
Buildings	1,448	500	1,948
Equipment	326	65	391
Total	1,774	565	2,339
Released to Income and Expenditure Account			
Buildings	485	532	1,017
Equipment	630	605	1,235
Total	1,115	1,137	2,252
At 31 July 2007			
Buildings	16,740	1,603	18,343
Equipment	1,865	977	2,842
Total	18,605	2,580	21,185

Included in the Buildings Grant Received is £500k from the Northern Rock Foundation as a contribution towards the cost of the Inter-Site Bridge.

	<b>CONSOLIDATED</b>			
	Revaluation Reserve	Revenue Reserve	Pension Reserve	Total
	£'000	£'000	£'000	£'000
<b>21 RECONCILIATION OF MOVEMENT IN RESERVES</b>				
At 1 August 2006	77,247	40,707	(43,632)	74,322
Surplus for Year	–	6,954	–	6,954
Historical Cost Adjustment	(1,756)	1,756	–	–
Pension Scheme	–	1,033	(1,033)	–
Actuarial Gain in Respect of Pension Scheme	–	–	9,940	9,940
At 31 July 2007	75,491	50,450	(34,725)	91,216

	<b>UNIVERSITY</b>			
	Revaluation Reserve	Revenue Reserve	Pension Reserve	Total
	£'000	£'000	£'000	£'000
At 1 August 2006	77,247	42,245	(43,632)	75,860
Surplus for Year	–	7,040	–	7,040
Historical Cost Adjustment	(1,756)	1,756	–	–
Pension Scheme	–	1,033	(1,033)	–
Actuarial Gain in Respect of Pension Scheme	–	–	9,940	9,940
Transfer from Subsidiary Undertaking	–	(239)		(239)
At 31 July 2007	75,491	51,835	(34,725)	92,601

# Notes to the Accounts

(continued)

	CONSOLIDATED	
	2007 £'000	2006 £'000

## 22 CAPITAL COMMITMENTS

Commitments Contracted for at 31 July 2007	4,166	43,409
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## 23 LEASE OBLIGATIONS

Net Finance Lease Obligations are as Follows:

Amounts Due within One Year	–	30
	–	30

## 24 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Surplus Before Interest and Tax	9,222	12,845
Depreciation	10,722	7,979
Deferred Capital Grants Released to Income	(2,252)	(1,519)
Pension Adjustments to Staff Costs	(57)	(138)
Decrease in Stocks	–	5
Decrease in Debtors	1,233	378
Increase in Creditors	7,637	1,410
Loss on Disposal of Fixed Assets	4,336	12
Decrease in Provisions	(78)	(99)
Net Cash Inflow from Operating Activities	30,763	20,873

	CONSOLIDATED			
	Opening £'000	Cash Flow £'000	Other £'000	Closing £'000
Cash and Bank	13,185	(1,393)	–	11,792
Debt due Within One Year	(478)	478	(478)	(478)
Finance Lease Obligations	(30)	30	–	–
Long Term Loans	(25,402)	(22,000)	478	(46,924)
Net Debt	(12,725)	(22,885)	–	(35,610)

## 25 ANALYSIS OF CHANGES IN NET DEBT

## CONSOLIDATED and UNIVERSITY

	2007	2006
	£'000	£'000

**26 FINANCIAL COMMITMENTS**

At 31 July 2007 the University had annual commitments under non-cancellable operating leases as follows:

Amounts Expiring Within One Year	46	21
Amounts Expiring Between One and Two Years	–	478
Amounts Expiring Between Two and Five Years	487	103
Amounts Expiring in More than Five Years	2,196	2,174
	<b>2,729</b>	<b>2,776</b>

Analysed by :

Property Rentals	2,235	2,208
Equipment Hire	469	543
Vehicle Hire	25	25

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.

**27 PENSION SCHEMES****Pension and Similar Obligations**

The two pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Tyne & Wear Pension Fund (TWPF) which is a Local Government Pension Scheme (LGPS). These are externally funded and contracted out of the State Earnings-Related Pension Scheme.

**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 (LAs), 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 or lecturers and from 1 January 2007 automatic too for teachers or lecturers in part-time employment following appointment or a change of contract. Teachers or lecturers are able to opt out of the TPS.

Although teachers or lecturers are employed by LAs and various other 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' or lecturers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

# Notes to the Accounts

(continued)

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 will be credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Not less than every four years, with a supporting interim valuation in-between, 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.

Contributions are assessed in two parts. Firstly, a standard contribution is determined. This is the contribution, expressed as a percentage of the salary of a teacher or lecturer entering service, which would 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 or lecturers, are not fully covered by normal contributions to be paid in future and by the fund built up from past contributions.

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%.

From 1 January 2007, and as part of the cost sharing agreement between employer and union representatives, the standard contribution rate is 19.75% plus a supplementary contribution rate of 0.75%; a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1%. The cost sharing agreement will also introduce, for the first time from the 2008 valuation, a 14% cap on employer contributions payable.

The cost of £7,427k (2005/06 £6,882k) recognised within the income and expenditure account, in respect of the TPS, is equal to the contributions payable to the TPS for the year.

## Tyne & Wear Pension Fund

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 rates as set out in the Rates and Adjustments Certificate dated 28 March 2002, for non-academic administrative staff were 13.74% and 11.45% for the period from 1 August 2006 to 31 July 2007.

The cost of £7,228k (2005/06 £6,724k) recognised within the Income and Expenditure Account, in respect of the TWPF, is stated after the release of £241k (2005/06 £235k) from the additional pension provision. The additional pension provision of £2,418k (2005/06 £2,496k) was set up to reflect the cost of unfunded pension liabilities which the University has to fund.

The pension charge for the year also includes £44k (2005/06 £242k) in respect of enhanced pension entitlements of staff who have taken early retirement. The cost of early retirements is charged to the Income and Expenditure Account, in the year of retirement.

The valuation as at 31 July 2007 was carried out based on an update of the preceding actuarial valuation of the fund as at 31 March 2004. In completing the valuation, the most significant assumptions are the financial ones, and these are summarised below:

	<b>Year Ended 31 July 2007</b>	Year Ended 31 July 2006
Discount Rate	<b>5.7%</b>	5.1%
Rate of general long term increase in salaries	<b>4.8%</b>	4.6%
Rate of increase to pensions in payment	<b>3.3%</b>	3.1%
Rate of increase to deferred pensions	<b>3.3%</b>	3.1%
Inflation	<b>3.3%</b>	3.1%

**Financial Reporting Standard 17 (FRS 17): Retirement Benefits**

The TPS is a multi-employer scheme for which it is not possible to identify assets and liabilities to institutional members and is, therefore, excluded under the regulations from further disclosure in this note. The following details for the TWPF were measured in accordance with FRS 17, and show the effect on the University's net assets and Pension Reserve at 31 July 2007.

The assets in the TWPF, of which the University's share is estimated at 2.4%, and the expected rates of return were:

	Long-term Rate of Return Expected at 31 July 2007	Value at 31 July 2007	Long-term Rate of Return Expected at 31 July 2006	Value at 31 July 2006
	%	£'000	%	£'000
Equities	7.9	2,534,000	7.4	2,190,600
Government Bonds	4.9	558,700	4.4	455,100
Corporate Bonds	5.7	304,500	5.1	286,000
Property	6.9	377,700	6.4	353,300
Other	6.0	31,600	4.7	65,800
<b>Total Market Value of Assets</b>	<b>7.2</b>	<b>3,806,500</b>	<b>6.6</b>	<b>3,350,800</b>

	Year Ended 31 July 2007	Year Ended 31 July 2006
	£'000	£'000
University's Estimated Asset Share	90,330	77,330
Present Value of Scheme Liabilities	(125,055)	(120,962)
<b>Deficit in the Scheme</b>	<b>(34,725)</b>	<b>(43,632)</b>

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# Notes to the Accounts

(continued)

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	Year Ended 31 July 2007
	£'000
<b>Analysis of the Amount Charged to the Income and Expenditure Account (comparatives are not required).</b>	
Service Cost	5,264
Total Operating Charge	5,264
<b>Analysis of Net Return on Pension Scheme</b>	
Expected Return on Pension Scheme Assets	(5,180)
Interest on Pension Liabilities	6,270
Net Charge to Income and Expenditure	1,090
<b>Amount Recognised in the Statement of Total Recognised Gains and Losses (STRGL)</b>	
Actual Return Less Expected Return on Pension Scheme Assets	9,940
Actuarial Gain Recognised in the STRGL	9,940
<b>Movement in Deficit During the Year</b>	
Deficit in Scheme at 1 August 2006	(43,632)
Movement in Year:	
Current Service Charge	(5,220)
Past Service Charge	(44)
Contributions	5,321
Expected Return on Pension Scheme Assets	5,180
Interest on Pension Liabilities	(6,270)
Actuarial Gain	9,940
Deficit in Scheme at 31 July 2007	(34,725)

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	Year Ended 31 July 2007
	£'000
<b>Historic Experience of Gains and Losses</b>	
Difference Between the Expected and Actual Return on Assets	3,630
% of Scheme Assets	4.0%
Experience Gains and Losses on Scheme Liabilities	(150)
% of Scheme Liabilities	(0.1%)
Change in Assumption	6,460
% of Scheme Liabilities	5.2%
Total Amount Recognised in STRGL	9,940
% of Scheme Liabilities	7.9%

## CONSOLIDATED &amp; UNIVERSITY

	2007	2006
	£'000	£'000
<b>28 EXTERNAL FUNDS</b>		
<b>a) Access Funds</b>		
As at 1 August 2006	2	95
Funding Council Grants	1,089	1,160
Interest Earned	6	5
	<b>1,097</b>	1,260
Disbursed to Students	(933)	(1,157)
Administration Fees	(33)	(101)
As at 31 July 2007 (Included in creditors – Note 16)	<b>131</b>	2

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 2006	435	318
Funding Council Grants	1,891	1,947
	<b>2,326</b>	2,265
Payments to Trainees	(1,905)	(1,830)
As at 31 July 2007 (Included in creditors – Note 16)	<b>421</b>	435

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.

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# Notes to the Accounts

(continued)

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## 29 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:

	<b>Sales</b> <b>£'000</b>	<b>Purchases</b> <b>£'000</b>	<b>Debtor</b> <b>£'000</b>	<b>Creditor</b> <b>£'000</b>
Dickinson Dees	52	157	–	–
University of Northumbria Students' Union	67	779	32	14
Ward Hadaway	32	2	–	1
Community Foundation	17	6	–	–
British Engines Ltd.	7	–	–	–
R H Patterson Ltd.	2	43	–	–
Reg Vardy plc	3	–	–	–





*Northumbria University's City Campus East*