

nu 2007-08

northumbria

Financial Statements



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Operating and Financial Review

Financial Highlights

- Income up 11.7% to £185.0 million
- Historical cost surplus for the year £10.2 million, up 17.2%
- Investment in staffing grown by £9.9 million to £104.3 million, 96 extra staff
- Cash of £21.0 million generated from operating activities
- Capital expenditure of £21.5 million, internally funded without the need to increase bank borrowing
- Net worth £137.9 million, up by £25.5 million
- FRS17 net pension liability rose by £13.5 million to £48.3 million, with £1.3 million charged to operating expenditure
- £96.0 million of bank finance available via a seven year Revolving Credit Facility (RCF) with University Bankers

Financial Strategy

A key aim of the University is to 'conduct prudent and robust financial management for cost effective operation, sustained investment and enhanced balance sheet value'. This aim has been achieved this year through appropriate execution of the Financial Strategy which, as guardian of the institution's sustainability, is designed to provide sufficient funds to underpin the business strategies which promote growth, innovation, enterprise and cost effective operations.

Northumbria University is a successful and ambitious University. It has a track record of growing and diversifying its income streams and delivering a quality learning and teaching experience. It is also part way through a major investment in its estate, adding significant amounts of new space and refurbishing and enhancing the remainder.

Capital expenditure of £21.5 million in the year has been entirely funded from internally generated resources.

Operating Results

Against a backdrop of increasing domestic and international competition for students and above inflation increases in base salary costs for staff, the underlying trend within the financial results remains positive. (See table below)

Results for the Year

	£m 2007/08	£m 2006/07
Income	185.0	165.6
Expenditure	(175.4)	(154.3)
Surplus on Continuing Operations	9.6	11.3
Loss on Disposal and Diminutions of Fixed Assets	(1.1)	(4.3)
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	1.7	1.7
Historical Cost Surplus for the Year	10.2	8.7
Surplus Percentage	5.5%	5.3%

Income

Income of the University rose by £19.4 million to £185.0 million, reflecting consistent growth from all major sources of income. In total, grants from the Higher Education Funding Council for England (HEFCE) rose from £61.4 million to £64.6 million and grants for teacher training from the Training Development Agency (TDA) rose by £0.7 million to £3.8 million. Tuition fee income and income from other education contracts, mainly the Nursing Education Contract rose £10.6 million to £82.2 million.

Increases come from the second year of variable fees from students on HEFCE programmes and from overseas fees, which were 14.4% ahead of last year at £21.5 million. Research grants and contracts were 22.8% ahead of last year at £4.6 million and other income was 9.8% ahead of last year at £26.4 million, boosted by a 29.3% growth in collaborative venture revenue to £5.0 million and a 10.6% rise in accommodation and catering revenue mainly from the opening of new facilities at City Campus East.

Expenditure

Expenditure rose by £21.1 million to £175.4 million as activity increased and the new 24,000 square metre teaching accommodation facility opened in City Campus East. The investment in staff continued with 96 additional Full Time Equivalent (FTE) added in the year.

All staff benefited from two pay increases as part of the nationally negotiated settlement for the UK Higher Education Sector being 3% in August 2007 and 3% in May 2008.

Pension costs continue to increase significantly, mainly due to the University's obligations to non-academic staff who are members of the Local Government Pension Scheme and pension costs including FRS17 adjustments rose 19.3% in the year to £12.7 million. In total, expenditure on staff was £104.3 million, 56.4% of income and £9.9 million more than last year.

Other operating expenditure increased by £7.9 million to £54.3 million. Additional facilities management and utilities costs were incurred due to the opening of the buildings at City Campus East. The second full year of the academic merit based scholarship schemes to students led to scholarship payments increasing from £2.3 million to £5.0 million.

Student recruitment costs increased by £0.7 million, mainly to support the growth in overseas activity. The £1.9 million rise in other expenditure includes the purchase of the London Centre for Fashion Studies and payment to third parties for support in delivering activities abroad.

Depreciation rose by £1.5 million to £12.2 million as a consequence of the extensive estates development.

The University incurred further charges in the year of £1.1 million as it wrote-off the final costs of the new inter-site bridge and demolished an old building to clear the site for the new sports facility.

The net outcome is a historical cost surplus for the year of £10.2 million, 5.5% of income and up £1.5 million on last year.

Net Worth

Last year the University opened two new buildings at City Campus East, adding 24,000 square metres of new academic space, for Newcastle Business School, the School of Law and the School of Design. Since opening in 2007 these buildings have already become a Newcastle landmark, winning awards from the Journal Newspaper and the Low Carbon New Build Project.

This year has seen the continued delivery of the Phase One Estates Development, with the commencement of the transformation of Northumbria's original campus now known as City Campus West. This includes the development of a new £30 million sports facility, which will include a twenty five metre six-lane swimming pool, a climbing wall, research and testing laboratories, 150 machine well being fitness suite and 2,600 seat arena, all of which will be available to students, staff and the community.

In total the University spent £21.5 million on capital, including £4.4 million on the completion of City Campus East, and £9.5 million on the commencement of the reconfiguration of space on City Campus West, vacated by Schools that moved to City Campus East.

As part of the University's obligation to undertake fixed asset revaluations this year it has conducted an interim review of all freehold and leasehold property, which has resulted in an enhancement to the asset value of £29.3 million. This has added significantly to the University's asset base which is now £252.4 million some £37.0 million more than that reported at the end of the previous financial year.

The University continues to manage its working capital effectively. Debt collection across the wide range of University activities including student debt, Student Loans Company, commercial debtors, franchise and collaborative ventures partners, has continued to improve, resulting in a closing Debtors position of £8.1 million. Creditors at the year end of £37.0 million comprise mainly of deferred income, trade creditors and accruals and are in line with last year.

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 £13.5 million to £48.3 million. This significant movement in the year reflects the downturn in the value of the fund assets, in particular the long term rate of return on equities, and the increase in liabilities as a result of an increase in all the principal cost assumptions that determine the fund's future liabilities. Since the balance sheet date global economic market conditions have become increasingly volatile, making the prospects of continued major fluctuations in the pension liability increasingly likely.

The University net worth has increased in the year from £112.4 million to £137.9 million.

Operating and Financial Review

(continued)

Cashflow

During the year, there continued to be a significant focus on the cash generated from operating activities and cash management. £21.0 million has been delivered from operating activities. After allowing for interest receipts and payments and capital grants, the University has been able to fund the £21.5 million of capital expenditure from internal cash generation, without the need to access the external borrowing facility.

Sustainability

Recognising the challenges faced by the UK Higher Education sector, the University is enhancing its physical estates to improve its competitive position. Determined business and financial management of the University has resulted in the majority of this investment being funded from internal cash generation, so limiting the need for borrowings. This strategy has been successful, ensuring that further phases of estates development can be conducted alongside other investment in the University.

Sir Les Elton

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

24 November 2008

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 of November 2004 at its periodic Review Meetings 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 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 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.

Statement of Corporate Governance and Internal Control

(continued)

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 2007/08, in October, December, February, May and June. 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 2007/08 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. The Board meeting in June 2008 reviewed and endorsed progress in implementing the Corporate Plan 2007-2010, against each of the University's Mission Aims. The meeting also considered progress in the development of Performance Indicators, developed over 2007/08 from the CUC's Report on the Monitoring of Institutional Performance and Use of Key Performance Indicators.

A subsequent Review Meeting evaluated effectiveness of the governance activities of the Board and its Committees in 2007/08, 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 2008/09

The Senior Post Appointments Committee, chaired by the Chairman of the Board, undertook the recruitment of a new Vice-Chancellor and Chief Executive to succeed Professor Kel Fidler, who retired on 31 August 2008. The Board approved the appointment of Professor Andrew Wathey at its 17 December 2007 meeting, and Professor Wathey took

up office as Vice-Chancellor Designate on 1 May 2008, assuming the office of Vice-Chancellor and Chief Executive on Professor Fidler's retirement.

The Audit Committee operated in 2007/08 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 and value for money. 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.

Each Board meeting received regular current financial reports, which were also reviewed by members of the Board throughout the year during 2007/08. Active governance oversight of the University's major City Centre estate development projects have been undertaken by the Board and its relevant committees in 2007/08 with reports submitted to all major Board and Committee meetings as well as weekly to the University's senior management team.

The Nominations Committee has paid particular attention during 2007/08 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. Three new members joined the Board in 2007/08, 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 2008/09.

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 2007/08, the University Executive led by the Vice-Chancellor contributed 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 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. A mid-term review of the annual Register of Key University Risks was completed, and further review activities included a governors workshop, reflecting risks upon identified by all University academic schools and services. The Audit Committee oversees this process on behalf of the Board and 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, 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. After six years of the current policy, the University looks in 2008/09 to a revision of its Register of Key Risks, in conjunction with further enhancement of its corporate strategy, led by the new Vice-Chancellor and Chief Executive.

Register of Board Members and Professional Advisors

Chancellor

The Lord Stevens of Kirkwhelpington

Governors

Mr Peter Allan OBE

Miss Lucy Armstrong

Professor Fen Arthur (from 15 October 2007)

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

Mr Gavin Black (Chairman and Pro-Chancellor)

Lord Tom Burlison (until 20 May 2008)

Ms Lisa Burton

Professor Paul Croney

Sir Les Elton (from 15 October 2007)(Deputy Chairman and Pro-Chancellor from 1 September 2008)

Mr Martin Farr

Professor Kel Fidler (Vice-Chancellor)

Mr George Gill CBE

Mr Frank Hindle

Mr John Josephs

Professor Philip Mars

Dr Maureen Norrie

Mr Adam Serfontein (from 30 June 2008)

Mr Michael Short

Mr John Taylor

Mr William Teasdale

Mrs Eileen Thompson

Mrs Ruth Thompson OBE

Mr Ashley Winter OBE

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

University Secretary and Secretary to the Board of Governors

Dr Richard Bott

Statement of Primary Responsibilities of the Governing Body

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 A Wathey
Vice-Chancellor

24 November 2008

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 2008 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 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 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 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 the Operating and Financial Review,

We also review the Statement of Internal Control included as part of the Statement of Corporate Governance Statement and Internal Control 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 2008, and of the surplus of income over expenditure, recognised gains and losses and cashflows 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 (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
26 November 2008

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

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 2008. 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 are 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 is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Accounting for retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. The University has fully adopted the requirements of FRS 17 'Accounting for retirement benefits' in respect of the Tyne and Wear Pension Fund.

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, with the interim valuation being applied as at 31 July 2008.

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.

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. 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 at the rates at the date of the Balance Sheet. 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 2008

	Note	2008 £'000	2007 £'000
INCOME			
Funding Council Grants	1	71,049	65,654
Tuition Fees and Education Contracts	2	82,238	71,634
Research Grants and Contracts	3	4,623	3,765
Other Operating Income	4	26,382	24,036
Interest Receivable	5	657	541
Total Income		184,949	165,630
EXPENDITURE			
Staff Costs	6	104,264	94,403
Other Operating Expenses	7	54,301	46,406
Interest Payable	8	3,526	2,809
Depreciation	13	12,181	10,722
Impairment of Tangible Fixed Assets	21	1,129	–
Total Expenditure		175,401	154,340
Surplus on Continuing Operations		9,548	11,290
Loss on Disposals and Diminutions of Fixed Assets	10	1,110	4,336
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Disposals and Diminutions of Fixed Assets but Before Tax		8,438	6,954
Taxation	11	–	–
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposals and Diminutions of Fixed Assets and Tax	12	8,438	6,954

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 2008

	Note	2008 £'000	2007 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposals and Diminutions of Fixed Assets and Tax	21	8,438	6,954
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	21	1,756	1,756
Historical Cost Surplus for the Year	21	10,194	8,710

Statement of Group Total Recognised Gains and Losses

for the year ended 31 July 2008

	Note	2008 £'000	2007 £'000
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposals and Diminutions of Fixed Assets and Tax		8,438	6,954
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)/Gain in Respect of Pension Scheme		(12,215)	9,940
Total Recognised Gains for the Year		26,232	16,894

RECONCILIATION

Opening Reserves		91,216	74,322
Total Recognised Gains for the Year		26,232	16,894
Closing Reserves	21	117,448	91,216

Balance Sheets

at 31 July 2008

	Note	CONSOLIDATED		UNIVERSITY	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
FIXED ASSETS					
Tangible Fixed Assets	13	252,441	215,420	252,441	215,416
Investments	14	–	–	543	543
		252,441	215,420	252,984	215,959
CURRENT ASSETS					
Stocks		58	56	58	56
Debtors	15	8,088	7,411	9,506	9,294
Cash at Bank and in Hand		12,380	11,792	11,568	10,188
		20,526	19,259	21,132	19,538
Creditors – Amounts Falling Due Within One Year	16	(37,002)	(37,228)	(36,996)	(36,661)
		(16,476)	(17,969)	(15,864)	(17,123)
NET CURRENT LIABILITIES					
TOTAL ASSETS LESS CURRENT LIABILITIES					
		235,965	197,451	237,120	198,836
Creditors – Amounts Falling Due After More Than One Year	17	(47,498)	(47,907)	(47,498)	(47,907)
Provisions for Liabilities and Charges	19	(2,287)	(2,418)	(2,287)	(2,418)
		186,180	147,126	187,335	148,511
NET ASSETS EXCLUDING PENSION LIABILITY					
Pension Liability	26	(48,250)	(34,725)	(48,250)	(34,725)
		137,930	112,401	139,085	113,786
NET ASSETS INCLUDING PENSION LIABILITY					
REPRESENTED BY:					
Deferred Capital Grants	20	20,482	21,185	20,482	21,185
RESERVES					
Revaluation Reserve	21	103,744	75,491	103,744	75,491
Revenue Reserve Excluding Pension Reserve	21	61,954	50,450	63,109	51,835
Pension Reserve	21	(48,250)	(34,725)	(48,250)	(34,725)
Revenue Reserve Including Pension Reserve		13,704	15,725	14,859	17,110
		117,448	91,216	118,603	92,601
TOTAL RESERVES					
		137,930	112,401	139,085	113,786
TOTAL					

The Financial Statements on pages 14 to 38 were approved by Governors on 24 November 2008 and signed on their behalf by:

G M Black
Chairman

Professor A Wathey
Vice-Chancellor

Consolidated Cash Flow Statement

for the year ended 31 July 2008

	Note	2008 £'000	2007 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	21,022	30,763
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from Short Term Investments		657	541
Interest Element of Finance Lease Rental Payments		–	(2)
Interest Paid		(2,786)	(1,717)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(2,129)	(1,178)
TAXATION			
		–	–
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to Acquire Fixed Assets		(21,512)	(54,870)
Proceeds from Sale of Fixed Assets		80	431
Deferred Capital Grants Received		3,257	1,969
Net Cash Outflow from Capital Expenditure and Financial Investment		(18,175)	(52,470)
FINANCING			
New Secured Long Term Loans		–	22,000
New Unsecured Short Term Loans		348	–
Repayment of Finance Lease Obligations		–	(30)
Repayment of Long Term Loans		(478)	(478)
Net Cash (Outflow)/Inflow from Financing		(130)	21,492
INCREASE/(DECREASE) IN CASH IN THE YEAR		588	(1,393)
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT			
Increase/(Decrease) in Cash in the Year		588	(1,393)
Decrease/(Increase) in Debt in the Year		130	(21,492)
Movement in Net Debt in the Year	24	718	(22,885)
Net Debt as at 1 August 2007		(35,610)	(12,725)
Net Debt as at 31 July 2008	24	(34,892)	(35,610)

Notes to the Accounts

	CONSOLIDATED	
	2008 £'000	2007 £'000
1 FUNDING COUNCIL GRANTS		
Recurrent Grant Received from HEFCE	59,672	56,225
Specific Grants	4,927	5,220
Training and Development Agency	3,822	3,094
Releases from Deferred Capital Grants:		
Buildings	1,619	485
Equipment	1,009	630
	71,049	65,654
2 TUITION FEES AND EDUCATION CONTRACTS		
Full-Time Home Fees	31,315	24,341
Part-Time Home Fees	5,102	4,235
Overseas Fees	21,547	18,828
Short Courses	3,745	3,914
Nursing Education Contract	20,529	20,316
	82,238	71,634
3 RESEARCH GRANTS AND CONTRACTS		
Research Councils	642	528
UK Based Charities	466	345
European Commission	367	417
Other Grants and Contracts	3,148	2,475
	4,623	3,765
Total research grants and contracts income (including that receivable from the Funding Council in Note 1 above) amounted to £6,018k (2007 £5,067k)		
4 OTHER OPERATING INCOME		
Accommodation and Catering	9,835	8,893
Course Related Income – Health Authority	–	58
Other Academic Income:		
Art Sales	114	203
Consultancy	638	885
Non Credit Bearing Programmes	1,282	778
Collaborative Ventures	5,001	3,867
Others	801	863
Other Services Rendered	7,819	7,297
Release from Deferred Revenue Grants	81	55
Releases from Deferred Capital Grants (non Funding Council):		
Buildings	158	532
Equipment	653	605
	26,382	24,036

Notes to the Accounts

(continued)

	CONSOLIDATED	
	2008 £'000	2007 £'000
5 INTEREST RECEIVABLE		
Income from Short Term Investments	657	541
6 STAFF COSTS		
Salaries and Wages	84,950	77,718
Social Security Costs	6,615	6,043
Pension Costs	12,699	10,642
	104,264	94,403

Emoluments of the Vice-Chancellor

Remuneration	210	184
Compensation for Capped Employer Pension Contributions	26	36
Benefits	2	2
Pension Contributions to TPS	17	15

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.

The Vice-Chancellor designate joined the University on 1st May 2008 and commenced office on 1st September 2008.

	2008 Staff FTE	2007 Staff FTE
Remuneration of other Higher Paid Staff (Excluding Employers NI and Superannuation)		
£100,000 – £109,999	2	1
£110,000 – £119,999	1	1
£120,000 – £129,999	2	–
£200,000 – £209,999	1	–

	2008 Staff FTE	2007 Staff FTE
Average Staff Numbers (expressed as full time equivalents (FTE))		
Academic	1,062	1,031
Academic Support	353	330
Student Support	173	169
Estates & Accommodation	447	408
Administration and Central Services	533	534
	2,568	2,472

	CONSOLIDATED	
	2008 £'000	Restated 2007 £'000
7 OTHER OPERATING EXPENSES		
Accommodation and Catering	2,546	2,346
Auditors' Remuneration:		
University External Audit	64	62
Subsidiaries External Audit	11	12
Other Services From External Audit	7	46
Internal Audit Services	96	117
Books and Periodicals	2,508	2,423
IT Supplies and Equipment	6,408	6,332
Marketing and Publicity	842	623
Printing, Postage and Stationery	1,827	1,636
Professional Services	6,650	6,447
Recruitment and Relocation	487	442
Rent, Rates and Utilities	6,973	6,177
Repairs and Maintenance	5,567	5,031
Scholarships and Mandatory Bursaries	5,010	2,339
Staff Development	289	277
Student Recruitment Costs	4,495	3,811
Telephone	743	749
Travel and Subsistence	4,985	4,421
Other Expenses:		
Bank Charges	145	259
Student Placement Fees	1,118	1,279
Students' Union Grant	662	610
Subscriptions and Registration Fees	733	702
Others	2,135	265
	54,301	46,406
Operating Lease Expenses included in the above are:		
Rent, Rates and Utilities	2,360	2,306
IT Supplies and Equipment	515	469
Travel and Subsistence	12	25
	2,887	2,800

The restatement relates to the reclassification of Agency Staff, Supply Cover and External Examiners costs from Other Operating Expenses to Staff Costs.

Notes to the Accounts

(continued)

	CONSOLIDATED	
	2008 £'000	2007 £'000
8 INTEREST PAYABLE		
On Bank Loans Repayable Within 5 Years	5	37
On Bank Loans Repayable Wholly or Partly in More than 5 Years	2,781	1,680
On Finance Leases	–	2
	2,786	1,719
On Pension Scheme	740	1,090
	3,526	2,809

	CONSOLIDATED			
	Staff Costs £'000	Other Operating Expenses £'000	Interest Payable £'000	Total £'000
9 ANALYSIS OF 2007/08 EXPENDITURE BY ACTIVITY				
Academic Schools	64,369	15,949	–	80,318
Academic Services	12,360	6,346	–	18,706
Administration	15,849	14,643	–	30,492
Premises	6,658	9,695	2,786	19,139
Residences, Catering and Conferences	3,253	6,142	–	9,395
Research Grants and Contracts	1,775	1,526	–	3,301
Other Expenses	–	–	740	740
	104,264	54,301	3,526	162,091
Depreciation				12,181
Impairment of Fixed Assets				1,129
				175,401

The depreciation charge has been funded by:

	Note	£'000
Deferred Capital Grants Released	20	3,439
Revaluation Reserve Released	21	1,756
General Income		6,986
		12,181

	Note	2008 £'000	2007 £'000
10 LOSS ON DISPOSALS AND DIMINUTIONS OF FIXED ASSETS			
The loss for the year is made up as follows:			
Inter-site Bridge		454	3,926
Net Value of Property Demolished for Campus Redevelopments		680	410
Profit on Sale of Fixed Assets		(24)	–
		1,110	4,336

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.

		2008 £'000	2007 £'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	21	8,208	7,040
Gain/(Loss) on Consolidation		915	(146)
(Loss)/Surplus Generated by the Subsidiary Undertakings		(685)	60
	21	8,438	6,954

The Gain on Consolidation arises from the reversal of the book depreciation charge in the Library Company. This charge is the only major transaction in the Library Company which ceased operations on 31 July 2007 to comply with HMRC directives. This has resulted in the Library Company making a loss in the year of £910k, which combined with a consolidation adjustment gain of £225k due to the sale of Northumbria Learning Limited, results in an overall loss of £685k from the subsidiary undertakings.

Notes to the Accounts

(continued)

	CONSOLIDATED				
	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 2007	148,730	2,379	36,579	63,814	251,502
Additions at Cost	122	250	4,088	17,052	21,512
Work in Progress Completed	69,404	163	5,090	(74,657)	–
Disposals	(1,192)	–	(5,505)	(454)	(7,151)
Gain on Fixed Asset Revaluation	18,975	(473)	–	–	18,502
Loss on Fixed Asset Revaluation	(3,810)	–	–	–	(3,810)
Valuation/Cost at 31 July 2008	232,229	2,319	40,252	5,755	280,555
Depreciation at 1 August 2007	7,299	360	28,423	–	36,082
Charge for Year	6,845	196	5,140	–	12,181
Disposals	(102)	–	(5,449)	–	(5,551)
Gain on Fixed Asset Revaluation	(11,747)	(556)	–	–	(12,303)
Loss on Fixed Asset Revaluation	(2,295)	–	–	–	(2,295)
Depreciation at 31 July 2008	–	–	28,114	–	28,114
Net Book Value at 31 July 2008	232,229	2,319	12,138	5,755	252,441
Net Book Value at 31 July 2007	141,431	2,019	8,156	63,814	215,420
Reconciliation of movements between opening and closing Net Book Values					£'000
Net Book Value at 31 July 2007					215,420
Additions at Cost					21,512
Depreciation Charge for Year					(12,181)
Gain on Fixed Asset Revaluation					30,805
Loss on Fixed Asset Revaluation					(1,515)
Disposals at Net Book Value					(1,600)
Net Book Value at 31 July 2008					252,441
Reconciliation of Disposals at Net Book Value					
Sale of Research Equipment					52
Northumberland Annexe Building (Demolished for Campus Redevelopment)					1,090
Inter-site Bridge					454
Computer Assets held in Subsidiary Company					4
					1,600

Other Asset Disposals

The University has taken the opportunity during the year to dispose of £4,988k of Equipment from the Asset Register. This equipment was fully written down and therefore has nil effect on the Income & Expenditure Account.

	UNIVERSITY				
	Freehold Land & Buildings £'000	Leasehold Land & Buildings £'000	Equipment £'000	Assets under Construction £'000	Total £'000
Valuation/Cost at 1 August 2007	148,730	2,379	36,560	63,814	251,483
Additions at Cost	122	250	4,088	17,052	21,512
Work in Progress Completed	69,404	163	5,090	(74,657)	–
Disposals	(1,192)	–	(5,486)	(454)	(7,132)
Gain on Fixed Asset Revaluation	18,975	(473)	–	–	18,502
Loss on Fixed Asset Revaluation	(3,810)	–	–	–	(3,810)
Valuation/Cost at 31 July 2008	232,229	2,319	40,252	5,755	280,555
Depreciation at 1 August 2007	7,299	360	28,408	–	36,067
Charge for Year	6,845	196	5,140	–	12,181
Disposals	(102)	–	(5,434)	–	(5,536)
Gain on Fixed Asset Revaluation	(11,747)	(556)	–	–	(12,303)
Loss on Fixed Asset Revaluation	(2,295)	–	–	–	(2,295)
Depreciation at 31 July 2008	–	–	28,114	–	28,114
Net Book Value at 31 July 2008	232,229	2,319	12,138	5,755	252,441
Net Book Value at 31 July 2007	141,431	2,019	8,152	63,814	215,416

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	(5,400)
Net Book Value Based on Cost	36,728

Notes to the Accounts

(continued)

	CONSOLIDATED		UNIVERSITY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000

14 INVESTMENTS

Investment in Subsidiaries at Cost	-	-	543	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	542,531
Northumbria International Limited	Support Services for Overseas Activities	1 £1 Ordinary Share	1
			542,534

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

	CONSOLIDATED		UNIVERSITY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000

15 DEBTORS

Amounts Falling Due Within One Year:

Trade Debtors	5,210	4,545	5,210	4,091
Amounts Owed by Subsidiary Undertakings	-	-	1,525	2,463
Prepayments and Accrued Income	2,793	2,741	2,687	2,615
Other Debtors	85	125	84	125
	8,088	7,411	9,506	9,294

	CONSOLIDATED		UNIVERSITY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
16 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR				
Mortgages and Loans (Note 18)	609	478	609	478
Trade Creditors	12,821	14,225	12,821	14,205
Amounts Owed to Subsidiary Undertakings	–	–	4	52
Social Security and Other Taxation Payable	2,214	1,998	2,214	1,998
Accruals and Deferred Income	20,495	19,674	20,485	19,075
Other Creditors	346	301	346	301
External Funds (Note 27)	517	552	517	552
	37,002	37,228	36,996	36,661

CONSOLIDATED and UNIVERSITY

	2008 £'000	2007 £'000
17 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Mortgages and Loans (Note 18)	46,663	46,924
Accruals and Deferred Income	835	983
	47,498	47,907

CONSOLIDATED and UNIVERSITY

18 BORROWINGS

Summary of Borrowings at 31 July 2008:

Lender	Value and Type	Start Date	Term	Interest Rates	Due Within One Year £'000	Due in More Than One Year £'000
Barclays	£11m Term Loan	10 March 2004	25 Years	Fixed at 5.6%	478	9,446
Barclays	£96m Revolving Credit Facility	1 August 2007	Up to 7 Years:	Capped at 5.0% Fixed at 5.8% Fixed at 5.3%	– – –	25,000 4,957 7,043
NetApp	Term Loan	1 Nov 2007	3 Years	Fixed at 0%	131	217
					609	46,663

Notes to the Accounts

(continued)

	CONSOLIDATED and UNIVERSITY
	Pension £'000
19 PROVISIONS FOR LIABILITIES AND CHARGES	
At 1 August 2007	2,418
Expenditure in the Period	(249)
Transfer from Income & Expenditure Account	118
At 31 July 2008	2,287

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 2007			
Buildings	16,740	1,603	18,343
Equipment	1,865	977	2,842
Total	18,605	2,580	21,185
Grant Received			
Buildings	1,719	–	1,719
Equipment	878	139	1,017
Total	2,597	139	2,736
Released to Income and Expenditure Account			
Buildings	1,619	158	1,777
Equipment	1,009	653	1,662
Total	2,628	811	3,439
At 31 July 2008			
Buildings	16,840	1,445	18,285
Equipment	1,734	463	2,197
Total	18,574	1,908	20,482

	CONSOLIDATED			
	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total £'000
21 RECONCILIATION OF MOVEMENT IN RESERVES				
At 1 August 2007	75,491	50,450	(34,725)	91,216
Surplus for Year	–	9,157	–	9,157
Realisation of Fixed Asset Revaluation Gains on Disposal of Assets	(410)	410	–	–
Realisation of Fixed Asset Revaluation Gains of Previous Years	(386)	(1,129)	–	(1,515)
Unrealised Surplus on Fixed Asset Revaluation	30,805	–	–	30,805
Movements in Year Before Historical Cost Adjustment & Pensions	30,009	8,438	–	38,447
Historical Cost Adjustment	(1,756)	1,756	–	–
Movements in Year After Historical Cost Adjustment but Before Pensions	28,253	10,194	–	38,447
Pension Scheme	–	1,310	(1,310)	–
Actuarial Loss in Respect of Pension Scheme	–	–	(12,215)	(12,215)
At 31 July 2008	103,744	61,954	(48,250)	117,448

	UNIVERSITY			
	Revaluation Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Total £'000
At 1 August 2007	75,491	51,835	(34,725)	92,601
Surplus for Year	–	8,927	–	8,927
Realisation of Fixed Asset Revaluation Gains on Disposal of Assets	(410)	410	–	–
Realisation of Fixed Asset Revaluation Gains of Previous Years	(386)	(1,129)	–	(1,515)
Unrealised Surplus on Fixed Asset Revaluation	30,805	–	–	30,805
Movements in Year Before Historical Cost Adjustment & Pensions	30,009	8,208	–	38,217
Historical Cost Adjustment	(1,756)	1,756	–	–
Movements in Year After Historical Cost Adjustment but Before Pensions	28,253	9,964	–	38,217
Pension Scheme	–	1,310	(1,310)	–
Actuarial Loss in Respect of Pension Scheme	–	–	(12,215)	(12,215)
At 31 July 2008	103,744	63,109	(48,250)	118,603

Notes to the Accounts

(continued)

	CONSOLIDATED	
	2008 £'000	2007 £'000
22 CAPITAL COMMITMENTS		
Commitments Contracted for at 31 July 2008	34,084	4,166
23 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Surplus Before Interest and Tax	11,307	9,222
Depreciation	12,181	10,722
Deferred Capital Grants Released to Income	(3,439)	(2,252)
Pension Adjustments to Staff Costs	570	(57)
Increase in Stocks	(2)	–
(Increase)/Decrease in Debtors	(1,198)	1,233
(Decrease)/Increase in Creditors	(505)	7,637
Loss on Disposals and Diminutions of Fixed Assets	1,110	4,336
Impairment of Fixed Assets	1,129	–
Decrease in Provisions	(131)	(78)
Net Cash Inflow from Operating Activities	21,022	30,763

	CONSOLIDATED			
	Opening £'000	Cash Flow £'000	Other £'000	Closing £'000
24 ANALYSIS OF CHANGES IN NET DEBT				
Cash and Bank	11,792	588	–	12,380
Debt Due Within One Year	(478)	478	(609)	(609)
Long Term Loans	(46,924)	(348)	609	(46,663)
Net Debt	(35,610)	718	–	(34,892)

CONSOLIDATED and UNIVERSITY

	2008	2007
	£'000	£'000

25 FINANCIAL COMMITMENTS

At 31 July 2008 the University had annual commitments under non-cancellable operating leases as follows:

Amounts Expiring Within One Year	134	46
Amounts Expiring Between One and Two Years	386	–
Amounts Expiring Between Two and Five Years	497	487
Amounts Expiring in More than Five Years	1,906	2,196
	2,923	2,729

Analysed by:

Property Rentals	2,393	2,235
Equipment Hire	518	469
Vehicle Hire	12	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.

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.

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

Notes to the Accounts

(continued)

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 2.0% 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 14.0% cap on employer contributions payable.

The cost of £8,276k (2006/07 £7,427k) 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 (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 rates for non-academic administrative staff were 13.74% and 11.45% for the period 1 August 2007 to 31 March 2008 and 14.6% for the period 1 April 2008 to 31 July 2008.

The cost of £8,070k (2006/07 £7,228k) recognised within the Income and Expenditure Account, in respect of the TWPF, is stated after the release of £249k (2006/07 £241k) from the additional pension provision. The additional pension provision of £2,287k (2006/07 £2,418k) 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 £259k (2006/07 £44k) 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.

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 2009

Regular employer contributions to the Fund for the year ended 31 July 2009 are estimated to be £6,500k. In addition, Strain on Fund Contributions may be required.

Assumptions

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

	Year Ended 31 July 2008	Year Ended 31 July 2007	Year Ended 31 July 2006
Inflation	3.8%	3.3%	3.1%
Rate of general long term increase in salaries	5.3%	4.8%	4.6%
Rate of increase to pensions in payment	3.8%	3.3%	3.1%
Rate of increase to deferred pensions	3.8%	3.3%	3.1%
Discount Rate	6.5%	5.7%	5.1%

Mortality Assumptions

The mortality assumptions are based on the PNA00 series standard mortality tables with allowance for future mortality improvements in line with the "medium cohort" projection model, subject to a minimum level of annual improvement. Mortality rates in the underlying base table are further adjusted by the use of scaling factors to reflect the actual mortality experience of the Fund. To facilitate comparison with other employers, the assumed life expectations on retirement age at 65 are:

At 31 July 2008

	Retiring Today	Retiring in 20 Years
Male	19.1	21.0
Female	22.1	23.3

Notes to the Accounts

(continued)

The estimated bid value of assets of the Tyne & Wear Pension Fund as at 31 July 2008 was £3,585,200k (only a proportion of these assets are allocated to the Employer). The bid value of assets as at 31 July 2007 and 31 July 2006 have been estimated using the mid value of assets as at 31 July 2007 and 31 July 2006 and the same mid-bid spreads as at 31 July 2008. The assets values, for the entire Fund, used as at the accounting date are set out below.

	Long-term Rate of Return Expected at 31 July 2008 %	Estimated Value at 31 July 2008 £'000	Long-term Rate of Return Expected at 31 July 2007 %	Estimated Value at 31 July 2007 £'000	Long-term Rate of Return Expected at 31 July 2006 %	Estimated Value at 31 July 2006 £'000
Equities	7.8	2,284,000	7.9	2,534,000	7.4	2,190,600
Property	6.8	340,700	6.9	377,700	6.4	353,300
Government Bonds	4.8	295,400	4.9	558,700	4.4	455,100
Corporate Bonds	6.5	436,500	5.7	304,500	5.1	286,000
Other	5.9	228,600	6.0	31,600	4.7	65,800
Total	7.2	3,585,200	7.2	3,806,500	6.6	3,350,800

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 2008.

	Value at 31 July 2008 £'000	Value at 31 July 2007 £'000	Value at 31 July 2006 £'000
Reconciliation of Funded Status to Balance Sheet			
Fair Value of Funded Assets	88,950	90,330	77,330
Present Value of Liabilities	(137,200)	(125,055)	(120,962)
Net Pension Liability	(48,250)	(34,725)	(43,632)

	Year Ended 31 July 2008	Year Ended 31 July 2007
	£'000	£'000
Analysis of Income and Expenditure Charge		
Current Service Cost	5,130	5,220
Past Service Cost	1,600	44
Interest Cost	7,260	6,270
Expected Return on Assets	(6,520)	(5,180)
Expense Recognised in Income and Expenditure	7,470	6,354

The Expense recognised in the Income and Expenditure was allocated £6,730k (2006/07 £5,264k) to Staff Pension Costs and £740k (2006/07 £1,090k) to Interest Payable.

Analysis of Net Charge to Income and Expenditure Account

Expense Recognised in Income and Expenditure	7,470	6,354
Actual Payments Made	(6,160)	(5,321)
Net Charge to Income and Expenditure Account	1,310	1,033

	Value at 31 July 2008	Value at 31 July 2007
	£'000	£'000
Changes to the Present Value of Liabilities During the Year		
Present Value of Liabilities as at 1 August 2007	125,055	120,962
Current Service Cost	5,130	5,220
Interest Cost	7,260	6,270
Contributions by Participants	1,870	1,700
Actuarial (Gains)/Losses on Liabilities	(395)	(6,310)
Net Benefits Paid Out	(3,320)	(2,831)
Past Service Cost	1,600	44
Present Value of Liabilities as at 31 July 2008	137,200	125,055

Changes to the Fair Value of Assets During the Year

Fair Value of Assets as at 1 August 2007	90,330	77,330
Expected Return on Assets	6,520	5,180
Actuarial (Losses)/Gains on Assets	(12,610)	3,630
Contributions by Employer	6,160	5,321
Contributions by Participants	1,870	1,700
Net Benefits Paid Out	(3,320)	(2,831)
Fair Value of Assets as at 31 July 2008	88,950	90,330

Notes to the Accounts

(continued)

	Year Ended 31 July 2008	Year Ended 31 July 2007
	£'000	£'000
Actual Return on Assets		
Expected Return on Assets	6,520	5,180
Actuarial (Loss)/Gain on Assets	(12,610)	3,630
Actual Return on Assets	(6,090)	8,810

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

Total Actuarial (Losses)/Gains	(12,215)	9,940
Total (Loss)/Gain in STRGL	(12,215)	9,940

	Value at 31 July 2008	Value at 31 July 2007	Value at 31 July 2006	Value at 31 July 2005	Value at 31 July 2004
	£'000	£'000	£'000	£'000	£'000
History of Asset Values, Present Value of Liabilities and Surplus/(Deficit)					
Fair Value of Assets	88,950	90,330	77,330	65,080	53,340
Present Value of Liabilities	(137,200)	(125,055)	(120,962)	(107,100)	(94,960)
Deficit	(48,250)	(34,725)	(43,632)	(42,020)	(41,620)

	Year Ended 31 July 2008	Year Ended 31 July 2007
	£'000	£'000
Historic Experience of Gains and Losses		
Experience (Losses)/Gains on Assets	(12,610)	3,630
Experience (Losses)/Gains on Liabilities	(3,690)	(150)

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 the 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 board. 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 2005. 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 related to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality

PA92 rated down 3 years

Post-retirement mortality

PA92 (c=2020) for all retired and non-retired members

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

Males 19.8 years

Females 22.8 years

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets were therefore sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Since 31 March 2005 the funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt yields (i.e. the valuation rate of interest). On the FRS17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

Notes to the Accounts

(continued)

	CONSOLIDATED & UNIVERSITY	
	2008 £'000	2007 £'000
27 EXTERNAL FUNDS		
a) Access Funds		
As at 1 August 2007	131	2
Funding Council Grants	837	1,089
Interest Earned	7	6
	975	1,097
Disbursed to Students	(882)	(933)
Administration Fees	(26)	(33)
As at 31 July 2008 (Included in Creditors – Note 16)	67	131

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 2007	421	435
Funding Council Grants	1,914	1,891
	2,335	2,326
Payments to Trainees	(1,885)	(1,905)
As at 31 July 2008 (Included in Creditors – Note 16)	450	421

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 £'000	Purchases £'000	Debtor £'000	Creditor £'000
Dickinson Dees	52	281	–	40
University of Northumbria Students' Union	11	885	21	4
Ward Hadaway	33	1	–	2
Community Foundation	12	3	–	3
British Engines Ltd.	9	–	–	–

