



FINANCIAL STATEMENTS 2002-2003



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# Statement of the Deputy Vice-Chancellor (Resources)

As Deputy Vice-Chancellor (Resources) and Finance Director of the University, it is very pleasing for me to be able to comment on the significant turn-around and improvement in the financial performance for the year ended 31 July 2003.

This result undoubtedly reflects the determination of the Board of Governors and University Executive to focus on the effective financial management of the University and the commitment of individual members of staff to achieve the goals set.

## Results for the year:

*In summary the results for the period are:*

	£m 2003	£m 2002
Income	123.2	109.0
Expenditure	(123.1)	(113.3)
Surplus/(Deficit) on continuing operations after depreciation of assets at value	0.1	(4.3)
Difference between historical cost depreciation and the actual depreciation charge for the year calculated at the revalued amount	1.7	1.7
Historical cost Surplus/(Deficit) for the year	1.8	(2.6)

The University's Consolidated Income and Expenditure Account for the year reports an historic cost surplus of almost £1.8m. This reflects a considerable improvement from this time last year and places Northumbria in a small group of higher education institutions reporting an operating surplus for 2002/03.

Income increased by 13% to £123.2m (2001/02: £109.0m). This resulted from a highly successful year in the recruitment of students,

both home and international, and the continued success in securing increased levels of research, consultancy grants and contracts. This is testimony to the soundness of the University's core business of teaching, learning and research.

An important aspect of how we conduct our business is the diversification of income streams. It is interesting to note that, tuition and education contract fees at 39% represent the largest source of income and that the Higher Education Funding Council for England (HEFCE) grant, once a dominant factor, now makes up only 38% of the University's income. In recognition of this, it is the aim of the University to reduce its reliance on single sources of income by spreading the risk across a diversified global marketplace, and safeguard both current and future income in the volatile international higher education market.

Expenditure in the year was £123.1m and represents an increase of 8% over last years figure. During the year, significant effort has been put into containing costs in terms of recurrent spend and achieving value for money. These initiatives will continue into 2003/04 as part of our major financial objectives.

## Balance Sheet:

The Consolidated Balance Sheet shows an increase in net assets from £90.7m to £94.6m. This is largely due to achieving the operating surplus and increasing the cash resources of the University. The cash increase is a direct consequence of better treasury management, in particular the reduction in the level of debt owed to the University.

## Cashflow:

The Consolidated Cash Flow Statement shows a net cash increase in the year of £2.5m. This was achieved through generating £11.2m from operating activities, spending £8.8m on assets and repaying loans and finance obligations of £4.5m. The Higher Education Funding Council for England provided the Institution with £2.8m in grants, which financed 30% of the University's capital projects.



### The year ahead:

The sound financial performance of the University in 2002/03 means that there is a firm basis on which to develop in 2003/04. To progress matters, a new Financial Strategy is being adopted to make explicit the Institution's financial priorities that will enable the delivery of other University Strategies.

There is much work still to be done in respect of the University's finances, continuing the radical changes introduced in 2002/03, including financial systems, processes and procedures, as well as financial reporting.

Revision of the Financial Regulations is currently under way and will incorporate the above changes. Fundamentally they will be designed to facilitate and improve the financial performance of the University at all levels.

The 2003/04 financial year has started strongly with recruitment of both home and overseas students exceeding expectations. I have every confidence that through the hard work and commitment of staff in the Finance Department and throughout the University that the challenging financial objectives for the year will not only be met, but exceeded.

A handwritten signature in black ink, appearing to read 'D Chesser'.

**David Chesser**

*Deputy Vice-Chancellor (Resources)*

5 December 2003

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# Corporate Governance Statement

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## Principles of University Governance

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life and with the guidance to institutions of higher education, which has been provided by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland.

## Legal and Constitutional Framework

The University is an independent higher education corporation, established under the terms of the Education Reform Act 1988 and the 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 an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The Academic Board has responsibility 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 courses at the University.

## The Board of Governors

The Board of Governors is the governing body of the University, responsible for the determination of the educational mission of the Institution and it is specifically responsible for the efficient use of resources – especially finance, property and staffing. During 2002/03, the Board approved a new Mission Statement, with accompanying Vision and Aims, to guide the future development of the University.

The Board normally meets 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 Remuneration Committee, the Audit Committee and the Nominations 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 professions and employment. There is also provision for the appointment of additional (co-opted) members, representatives of the Academic Board, academic and other staff and of 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 2002/03 the corporate governance of the University has been strengthened in a number of ways. The Audit Committee's terms of reference were revised and strengthened, taking into account the recommendations of the Higher Education Funding Council's revised Audit Code of Practice of May 2002. The Employment and Finance Committee's oversight of current University business has been enhanced through its receipt of detailed regular financial reports, as well as more detailed reporting of employment and human relations issues and an annual report on the work of the Remuneration Committee. Each Board meeting also receives regular current financial reports, which are reviewed by Members of the Board throughout the year.

The Nominations Committee has paid particular attention during 2002/03 to the strengthening of Board membership by recommending to the Board the appointment of independent and additional members with defined skill sets, notably in the financial field. The Employment and Finance and Audit Committees' membership reflects this.

## 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 formal 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, which he did in proposing a revised Mission in 2002/03. Subject to consultation with the Academic Board, he is also 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

During the year, the Risk Management Policy was revised and adopted. The policy identifies that risk-taking is necessary in higher education, and that effective risk management is synonymous with good management.

The identification and management of risk is the responsibility of the Board of Governors and the University management, and risk management culture is being promoted throughout the University in recognition of its benefits, including enhanced security and safety and more cost-effective processes.

A University Risk Register containing eleven key risks has been affirmed by the Board of Governors and individual Risk Registers were drawn up for each School and Service Department.

The Executive established a Risk Management Coordinating Group (RMCG) to oversee the implementation of its Risk Management Policy. The Group has reported regularly to the University Executive, to the Audit Committee, the Board of Governors and to the University more widely during the year.

The pursuit of Risk Management within the University has resulted in substantial progress in the implementation of the Risk

Management Policy. This has been independently verified at the year end by the University's Internal Auditors, UNIAC; both UNIAC and External Auditors PwC have had the opportunity to comment on University Policy.

The University has agreed a review process of Risk Management Registers and of Key Risks for 2003/04. The review will be particularly focused on developing the positive aspects of risk and its management, as opposed to the more negative aspects which understandably have tended to emerge in the initial exercise.

The embedding of Risk Management within all key University processes has commenced and this will proceed to full integration within the University during 2003/04.

Development programmes for members of the University community, from Governors to all levels of staff have been organised in 2003/04.

During 2002/03 the University is thus substantially compliant with the requirements of the HEFCE Accounts Direction of 2002 and will develop to full compliance in 2003/04.

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# Register of Board Members and Professional Advisors

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## Chancellor

The Lord Glenamara

## Governors

Mr G M Black (Chairman)

Professor J K Fidler (Vice-Chancellor)

Mr P Allan

Mr R Beadle

Mr H Biddle (Deputy Chairman)

Mr R Cole (to 31 August 2003)

Professor D Gardiner

Mr G Gill

Mrs P Hodgson

Mr R Howard

Mr S Hung Ng

Mr A Irons

Lady Sally Irvine

Professor Sir Miles Irving

Mr K Lavery

Mr R Linnett (Students' Union President)

Professor P Mars

Mr W Teasdale (from 17 February 2003)

Mrs E Thompson

## Register of Interests and Disclosures

A Register of Board members' interests and disclosures is maintained by the Secretary to the Board of Governors, and may be viewed either by appointment, writing to Ellison Building, Ellison Place, Newcastle upon Tyne NE1 8ST, or telephoning 0191 227 4010.

## Auditors

PricewaterhouseCoopers LLP  
89 Sandyford Road  
Newcastle upon Tyne  
NE99 1PL

## Bankers

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

## Secretary to the Board of Governors

Mr R A Bott

## Corporate Office

Ellison Building

Ellison Place

Newcastle upon Tyne

NE1 8ST

# Responsibilities of the University's Board of Governors

The Governors are listed on page 6.

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 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, and 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 on Accounting in Further and Higher Education Institutions and other relevant accounting and financial reporting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Funding Council and the University, the Institution, 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 of, and the authority delegated to, 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.



**Gavin M Black**  
Chairman



**Professor J K Fidler**  
Vice-Chancellor

5 December 2003

# Independent Auditors' Report to the Board of Governors of the University of Northumbria at Newcastle

We have audited the financial statements which comprise the Consolidated Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheets, the Consolidated Cash Flow Statement and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the Statement of Principal Accounting Policies.

## Respective Responsibilities of the Board of Governors and Auditors

The Board of Governors' responsibility 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 Institutions, applicable United Kingdom law and accounting standards is set out in the Statement of the Responsibilities of the University's Board of Governors.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the Board of Governors of the University of Northumbria at Newcastle. 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 also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England. We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

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

## Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for

England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

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

## Opinion

### *In our opinion:*

- i. The financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2003, and of the surplus of income over expenditure, recognised gains and losses and cashflows of the University and the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education.
- ii. In all material respects, income from the Higher Education Funding Council for England and the Teacher Training Agency grants and income for specific purposes and from other restricted funds administered by the University has 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 statutes and where appropriate, in accordance with the Financial Memorandum dated 1 August 2000 with the Higher Education Funding Council for England.



PricewaterhouseCoopers LLP  
Chartered Accountants  
Newcastle-upon-Tyne

5 December 2003

The maintenance and integrity of the University of Northumbria at Newcastle website is the responsibility of the Board of Governors; 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 2003

	Note	2003 £000	2002 £000
<b>INCOME</b>			
Funding Council Grants	2	47,708	44,753
Tuition Fees and Education Contracts	3	48,071	41,671
Research Grants and Contracts	4	7,777	6,068
Other Operating Income	5	19,493	16,328
Interest Receivable	6	198	214
<b>Total Income</b>		<b>123,247</b>	<b>109,034</b>
<b>EXPENDITURE</b>			
Staff Costs	7	76,814	70,485
Depreciation	13	7,749	6,978
Diminution in Value of Fixed Assets in Year	13	–	399
Other Operating Expenses	8	36,266	33,833
Interest Payable	9	2,287	1,655
<b>Total Expenditure</b>		<b>123,116</b>	<b>113,350</b>
Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Before Tax		<b>131</b>	<b>(4,316)</b>
Taxation	11	–	–
Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax	12	<b>131</b>	<b>(4,316)</b>

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

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# Consolidated Statement of Historical Cost Surpluses and Deficits

for the year ended 31 July 2003

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	<b>2003</b>	2002
	<b>£000</b>	£000
Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax	<b>131</b>	(4,316)
Difference between Historical Cost Depreciation and the Actual Depreciation Charge for the Year Calculated on the Revalued Amount	<b>1,636</b>	1,674
Historical Cost Surplus/(Deficit) for the Year	<b>1,767</b>	(2,642)

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# Statement of Total Recognised Gains and Losses

for the year ended 31 July 2003

	Note	2003 £'000	2002 £'000
Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax		131	(4,316)
Unrealised Surplus on Revaluation		–	10,757
<b>Total Recognised Gains Relating to the Year</b>		<b>131</b>	<b>6,441</b>
Prior Year Adjustment		–	(8,054)
<b>Total Recognised Gains/(Losses) for the Year</b>		<b>131</b>	<b>(1,613)</b>
<b>RECONCILIATION</b>			
Opening Reserves		86,830	88,443
Restatement of Asset Value		(223)	–
<b>Total Recognised Gains/(Losses) for the Year</b>		<b>131</b>	<b>(1,613)</b>
Closing Reserves	21	86,738	86,830

# Balance Sheets

at 31 July 2003

	Note	CONSOLIDATED		UNIVERSITY	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
<b>FIXED ASSETS</b>					
Tangible Fixed Assets	13	139,769	139,015	139,769	138,788
Investments	14	–	–	543	543
		<b>139,769</b>	<b>139,015</b>	<b>140,312</b>	<b>139,331</b>
<b>CURRENT ASSETS</b>					
Stocks		64	174	64	174
Debtors	15	8,220	9,925	9,151	7,934
Cash at Bank and in Hand		3,436	909	3,008	484
		<b>11,720</b>	<b>11,008</b>	<b>12,223</b>	<b>8,592</b>
Creditors – Amounts Falling Due Within One Year	16	(26,053)	(26,054)	(25,783)	(23,513)
		<b>(14,333)</b>	<b>(15,046)</b>	<b>(13,560)</b>	<b>(14,921)</b>
<b>NET CURRENT LIABILITIES</b>					
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<b>125,436</b>	<b>123,969</b>	<b>126,752</b>	<b>124,410</b>
Creditors – Amounts Falling Due After More Than One Year	17	(28,053)	(30,152)	(28,053)	(30,152)
Provisions for Liabilities and Charges	19	(2,800)	(3,124)	(2,800)	(3,124)
		<b>94,583</b>	<b>90,693</b>	<b>95,899</b>	<b>91,134</b>
<b>NET ASSETS</b>					
<b>REPRESENTED BY:</b>					
Deferred Capital Grants	20	7,845	3,863	7,845	3,863
<b>RESERVES</b>					
Revaluation Reserve	21	76,083	77,719	76,083	77,719
Revenue Reserve	21	10,655	9,111	11,971	9,552
		<b>86,738</b>	<b>86,830</b>	<b>88,054</b>	<b>87,271</b>
<b>TOTAL</b>					
		<b>94,583</b>	<b>90,693</b>	<b>95,899</b>	<b>91,134</b>

The Financial statements on pages 9 to 33 were approved by Governors on 5 December 2003 and signed on their behalf by:



**Gavin M Black**  
Chairman



**Professor J K Fidler**  
Vice-Chancellor

# Consolidated Cash Flow Statement

for the year ended 31 July 2003

	Note	2003 £'000	2002 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
	24	11,243	6,858
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Income from Short Term Investments		198	214
Interest Element of Finance Lease Rental Payments		(192)	(20)
Interest Paid		(1,868)	(1,635)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(1,862)	(1,441)
<b>TAXATION</b>			
		-	-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to Acquire Tangible Assets		(8,801)	(10,884)
Receipts from Sale of Tangible Assets		-	6,150
Deferred Capital Grants Received		4,610	2,340
Net Cash Outflow from Capital Expenditure and Financial Investment		(4,191)	(2,394)
<b>FINANCING</b>			
Repayment of Short Term Loans		-	(3,200)
New Finance Lease Obligations		-	1,221
New Secured Long Term Loans		-	3,600
Repayment of Finance Lease Obligations		(1,175)	(1,251)
Repayment of Long Term Loans		(1,488)	(2,020)
Net Cash Outflow from Financing		(2,663)	(1,650)
<b>INCREASE IN CASH IN THE YEAR</b>		<b>2,527</b>	<b>1,373</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT</b>			
Increase in Cash in the Year		2,527	1,373
Cash Outflow from Decrease in Debt and Lease Financing		2,663	1,650
Movement in Net Debt in the Year	25	5,190	3,023
Net Debt as at 1 August 2002		(31,986)	(35,009)
<b>Net Debt as at 31 July 2003</b>		<b>(26,796)</b>	<b>(31,986)</b>

# Notes to the Accounts

## I. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

In accordance with FRS 18 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 (SORP) 'Accounting in Further and Higher Education Institutions' and in accordance with applicable accounting standards. They conform to the guidance published by the Higher Education Funding Council for England (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 consolidate the financial statements of the University and all its subsidiary undertakings for the financial year to 31 July 2003.

Details of the University's subsidiary undertakings are provided in Note 14 to the accounts.

The consolidated 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 HEFCE represents the funding allocation that is attributable to the current financial year and is credited direct to the income and expenditure account.

Grants that are applied for to acquire tangible fixed assets are credited to deferred grants and released to the Income and Expenditure account over the estimated useful lives of the relevant assets.

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.

The University acts as an agent in the collection and payment of bursaries and travel expenses for nursing students from Health Authorities, in the collection and payment of training bursaries from the Teacher Training Agency and of Access Funds from HEFCE.

Related payments received from Health Authorities, the Teacher Training Agency and HEFCE and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 29.

### e. Pension schemes

Retirement benefits for employees of the University are provided by defined benefit schemes, which are funded by contributions from the University and employees.

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 schemes are defined benefit schemes that are externally funded and contracted out of the State Earnings-Related Pension Scheme.

The TPS is valued every five years by the Government Actuary and the TWPF is valued every three years by a professionally qualified independent actuary. Pension costs are assessed on the latest actuarial valuations of each scheme and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services.

### 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. Expenditure that extends the useful life of an asset or enhances an asset is capitalised.

### 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) Valuation

In order to reflect the full value to the University of its considerable 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 done in July 2000, and an interim valuation was applied as at 31 July 2002.

The University's Property Advisors, Chesterton Plc, 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:

Buildings	Not more than 50 years
Equipment	5 to 10 years
Motor vehicles	4 years
Computer equipment and software	5 years
Assets costing less than £5,000	Written off in year of purchase

Freehold land is not depreciated. Assets held under finance leases are depreciated over the life of the lease, if this is a shorter period.

### 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. Leased assets

Where assets are financed by leasing arrangements, that give rights approximating to ownership (finance leases), then the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to Income and Expenditure on the same basis as above. Leasing payments are treated as consisting of capital and interest elements and interest is charged to the Income and Expenditure account over the period of the lease.

All other leases are operating leases and the annual rentals payable are charged to the Income and Expenditure account.

### i. Stocks

Stocks are valued at lower of cost and net realisable value. Consumable items are charged directly to income and expenditure.

### j. Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(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 received no similar exemption in respect of VAT.

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

### k. Provisions

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.

### l. 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. Deposits are repayable on demand if they are available within 24 hours without penalty. Liquid resources comprise assets held as a readily disposable store of value.

### m. 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 determination of Income and Expenditure for the financial year.

# Notes to the Accounts

(continued)

	CONSOLIDATED	
	2003	2002
	£'000	£'000
<b>2 FUNDING COUNCIL GRANTS</b>		
Recurrent Grant Received from HEFCE	42,327	41,250
Specific Grants	2,892	1,260
Teacher Training Agency	1,924	1,705
Releases from Deferred Capital Grants:		
Equipment	351	508
Buildings	214	30
	<b>47,708</b>	<b>44,753</b>
<b>3 TUITION FEES AND EDUCATION CONTRACTS</b>		
Full-Time Students Fees	14,417	12,475
Full-Time Students Charged Overseas Fees	11,341	9,061
Part-Time Students Fees	6,693	5,333
Nursing Education Contract	15,620	14,802
	<b>48,071</b>	<b>41,671</b>
<b>4 RESEARCH GRANTS AND CONTRACTS</b>		
Research Councils	285	434
UK Based Charities	734	546
European Commission	1,329	2,132
Other Grants and Contracts	5,429	2,956
	<b>7,777</b>	<b>6,068</b>
Total research grants and contracts income including that receivable from the Funding Council (included in Note 2 above) amounted to £9,094k (2002: £8,083k)		
<b>5 OTHER OPERATING INCOME</b>		
Accommodation	7,643	7,128
Other Services Rendered	4,596	3,397
Course Related Income	2,331	1,726
Other Income	4,823	3,966
Release from Deferred Revenue Grants	37	80
Release from Deferred Capital Grants (non Funding Council)	63	31
	<b>19,493</b>	<b>16,328</b>

	CONSOLIDATED	
	2003	2002
	£'000	£'000

## 6 INTEREST RECEIVABLE

Income from Short Term Investments	198	214
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## 7 STAFF COSTS

Salaries and Wages	64,316	60,335
Social Security Costs	4,759	4,233
Other Pension Costs	7,739	5,417
	<b>76,814</b>	69,985
Staff Restructuring Costs	–	500
	<b>76,814</b>	70,485

### Emoluments of the Vice-Chancellor

Salary	153	126
Benefits in Kind	8	1
	<b>161</b>	127

Pension Contributions	7	7
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The Vice-Chancellor was appointed on 1 September 2001, and his emoluments are shown on the same basis as for higher paid staff. The University's normal pension contributions to Teachers Superannuation Scheme and the local government pension fund are paid at the same rates as for other academic staff. 2002 figures have been reclassified for £8k from Pension Contributions to Salary, as it was considered more appropriate.

	2003	2002
	No of Staff	No of Staff
<b>Average Staff Numbers expressed as full time equivalents were</b>		
Teaching Departments	1,092	1,129
Teaching Support Services	331	341
Other Support Services	272	281
Administration and Central Services	481	497
Premises & Other	361	373
	<b>2,537</b>	2,621

### Remuneration of other Higher Paid Staff (Excluding Employers NI and Superannuation)

£70,000 – £79,999	6	1
£80,000 – £89,999	1	–
£90,000 – £99,999	1	1
£100,000 – £109,999	1	1

# Notes to the Accounts

(continued)

	CONSOLIDATED	
	2003 £'000	2002 £'000
<b>8 OTHER OPERATING EXPENSES</b>		
Travel & Subsistence	2,421	2,051
Staff Development	621	472
Recruitment & Relocation	358	651
Telephone	1,035	756
Printing, Postage & Stationery	2,558	1,903
IT Supplies & Equipment	4,944	5,964
Books & Periodicals	1,842	1,888
Professional Services	4,782	3,048
Accommodation	874	1,072
Rent, Rates & Utilities	4,519	4,020
Repairs & Maintenance	2,373	3,054
Other Expenses	9,939	8,954
	<b>36,266</b>	<b>33,833</b>

Other expenses include:

Auditors' Remuneration – external audit*	73	47
– internal audit	85	72
– other services from external audit	147	115

Hire of Other Assets – Operating Leases 1,393 1,178

\* includes £58k in respect of the University (2002 £37k).

## 9 INTEREST PAYABLE

Bank and Other Loans	12	16
Finance Lease Interest	419	20
Loans not Wholly Repayable within Five Years	1,856	1,619
	<b>2,287</b>	<b>1,655</b>

## CONSOLIDATED

	Staff Costs £'000	Other Operating Expenses £'000	Interest Payable £'000	Total £'000
<b>10 ANALYSIS OF 2002/03 EXPENDITURE BY ACTIVITY</b>				
Academic Departments	45,604	10,089	–	55,693
Academic Services	7,524	4,153	–	11,677
Administration	12,764	11,194	–	23,958
Premises	3,663	4,340	–	8,003
Residences, Catering and Conferences	2,324	3,958	–	6,282
Research Grants and Contracts	4,935	2,532	–	7,467
Other Expenses	–	–	2,287	2,287
	76,814	36,266	2,287	115,367
Depreciation				7,749
				123,116

The depreciation charge has been funded by:

	Note	£'000
Deferred Capital Grants Released		628
Revaluation Reserve Released	21	1,636
General Income		5,485
		7,749

**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.

# Notes to the Accounts

(continued)

	2003 £'000	2002 £'000
<b>12 SURPLUS/(DEFICIT) ON CONTINUING OPERATIONS FOR THE YEAR</b>		
The Surplus/(Deficit) on continuing operations for the year is made up as follows:		
University's Surplus/(Deficit) for the year	714	(4,059)
Deficit on Consolidation	(260)	(29)
Deficit Generated by the Subsidiary Undertakings	(323)	(228)
<b>Total</b>	<b>131</b>	<b>(4,316)</b>

	CONSOLIDATED				Total £'000
	Freehold Land & Buildings £'000	Leasehold Land & Buildings £'000	Equipment £'000	Assets under Construction £'000	
Valuation/Cost at 1 August 2002	120,302	993	30,598	4,605	156,498
Additions at Cost	722	35	2,164	5,880	8,801
Disposals	-	-	(94)	(73)	(167)
Work In Progress Completed	5,371	19	2,376	(7,766)	-
Restatement of Asset Value	-	-	(223)	-	(223)
<b>At 31 July 2003</b>	<b>126,395</b>	<b>1,047</b>	<b>34,821</b>	<b>2,646</b>	<b>164,909</b>
Depreciation at 1 August 2002	-	-	17,483	-	17,483
Charge for Year	3,160	36	4,553	-	7,749
Disposals	-	-	(92)	-	(92)
<b>At 31 July 2003</b>	<b>3,160</b>	<b>36</b>	<b>21,944</b>	<b>-</b>	<b>25,140</b>
Net Book Value					
<b>At 31 July 2003</b>	<b>123,235</b>	<b>1,011</b>	<b>12,877</b>	<b>2,646</b>	<b>139,769</b>
<b>At 1 August 2002</b>	<b>120,302</b>	<b>993</b>	<b>13,115</b>	<b>4,605</b>	<b>139,015</b>

	UNIVERSITY				Total £'000
	Freehold Land & Buildings £'000	Leasehold Land & Buildings £'000	Equipment £'000	Assets under Construction £'000	
	<b>I3 TANGIBLE FIXED ASSETS (continued)</b>				
Valuation/Cost at 1 August 2002	120,302	993	30,231	4,605	156,131
Transfer from Subsidiary undertaking	–	–	50	–	50
Additions at Cost	722	35	2,164	5,880	8,801
Disposals	–	–	–	(73)	(73)
Work In Progress Completed	5,371	19	2,376	(7,766)	–
<b>At 31 July 2003</b>	<b>126,395</b>	<b>1,047</b>	<b>34,821</b>	<b>2,646</b>	<b>164,909</b>
Depreciation at 1 August 2002	–	–	17,343	–	17,343
Transfer from Subsidiary undertaking	–	–	48	–	48
Charge for Year	3,160	36	4,553	–	7,749
<b>At 31 July 2003</b>	<b>3,160</b>	<b>36</b>	<b>21,944</b>	<b>–</b>	<b>25,140</b>
<b>Net Book Value</b>					
<b>At 31 July 2003</b>	<b>123,235</b>	<b>1,011</b>	<b>12,877</b>	<b>2,646</b>	<b>139,769</b>
<b>At 1 August 2002</b>	<b>120,302</b>	<b>993</b>	<b>12,888</b>	<b>4,605</b>	<b>138,788</b>

Under the rules set out in FRS 15 Tangible Fixed Assets, the land and buildings base is subject to a full revaluation every 5 years with interim valuations by year three. The last full revaluation was done in July 2000, and an interim valuation was applied as at 31 July 2002.

The net book value of tangible fixed assets includes an amount of £2,381k (2002 £3,196k) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £815k (2002 £740k). The amount of finance charges capitalised and included in the cost of tangible fixed assets is £360k.

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

	£'000
Historic Cost	31,128
Aggregate depreciation based on cost	(2,025)
<b>Net book value based on cost</b>	<b>29,103</b>

# Notes to the Accounts

(continued)

	CONSOLIDATED		UNIVERSITY	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000

## 14 INVESTMENTS

Investment in Subsidiaries at Cost	–	–	543	543
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The University owns 100% of the issued share capital of 2 £1 shares of University of Northumbria at Newcastle Developments Limited, 100% of the issued share capital of 542,531 £1 shares of Northumbria Library Company Limited, 100% of the issued share capital of 100 £1 shares of Northumbria Learning Limited and 100% of the issued share capital of a £1 share of Northern Business School Limited. All companies are registered in England and Wales and are operating in the UK.

## 15 DEBTORS

Debtors	4,081	5,268	4,033	4,542
Amounts Owed by Subsidiary Undertakings	–	–	1,434	456
Prepayments and Accrued Income	3,916	4,657	3,589	2,191
Other Debtors	223	–	95	745
	<b>8,220</b>	<b>9,925</b>	<b>9,151</b>	<b>7,934</b>

2002 figures have been reclassified for £4,204k (consolidated) and £1,740k (University) from Debtors to Prepayments and Accrued Income, as it was considered more appropriate.

## 16 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

Mortgages and Secured Loans (Note 18)	1,402	1,488	1,402	1,488
Trade Creditors	6,678	5,392	6,631	5,348
Amounts Owed to Subsidiary Undertakings	–	–	268	929
Obligations Under Finance Leases (Note 23)	1,098	1,362	1,098	1,362
Social Security and Other Taxation Payable	1,687	1,418	1,687	1,418
Accruals and Deferred Income	12,713	15,330	12,669	12,553
Other Creditors	2,120	649	1,673	–
Access and Bursaries Creditor (Note 29)	355	415	355	415
	<b>26,053</b>	<b>26,054</b>	<b>25,783</b>	<b>23,513</b>

## CONSOLIDATED and UNIVERSITY

	2003 £'000	2002 £'000
<b>17 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Mortgages and Secured Loans (Note 18)	27,356	28,758
Obligations Under Finance Leases (Note 23)	603	1,287
Accruals and Deferred Income	94	107
	<b>28,053</b>	<b>30,152</b>

**18 MORTGAGES AND SECURED LOANS**

Amounts Due In Under One Year	1,402	1,488
Amounts Due Between One and Two Years	1,303	1,402
Amounts Due Between Two and Five Years	3,942	3,925
Amounts Due In More than Five Years	22,111	23,431
	<b>28,758</b>	<b>30,246</b>
Within One Year	(1,402)	(1,488)
Amounts Due Over One Year	<b>27,356</b>	<b>28,758</b>

Secured loans at interest rates between 4.56% and 7.09% repayable by instalments falling due between 1 August 2003 and 31 July 2025, totalling £26,008k and are secured on a portion of the freehold land and buildings of the University.

## CONSOLIDATED and UNIVERSITY

	£'000
<b>19 PROVISIONS FOR LIABILITIES AND CHARGES</b>	
Pension	
At 1 August 2002	3,124
Expenditure in the Period	(517)
Transfer from Income & Expenditure Account	193
At 31 July 2003	<b>2,800</b>

The additional pension provision was set up to spread the cost of the increasing contribution rates recommended by the 1998 valuation.

# Notes to the Accounts

(continued)

	<b>CONSOLIDATED and UNIVERSITY</b>		
	Funding Council	Other	Total
	£'000	£'000	£'000
<b>20 DEFERRED CAPITAL GRANTS</b>			
At 1 August 2002			
Buildings	1,903	1,010	2,913
Equipment	950	–	950
<b>Total</b>	<b>2,853</b>	<b>1,010</b>	<b>3,863</b>
Cash Received			
Buildings	2,148	200	2,348
Equipment	640	1,622	2,262
<b>Total</b>	<b>2,788</b>	<b>1,822</b>	<b>4,610</b>
Released to Income and Expenditure Account			
Buildings	214	30	244
Equipment	351	33	384
<b>Total</b>	<b>565</b>	<b>63</b>	<b>628</b>
At 31 July 2003			
Buildings	3,837	1,180	5,017
Equipment	1,239	1,589	2,828
<b>Total</b>	<b>5,076</b>	<b>2,769</b>	<b>7,845</b>

	<b>CONSOLIDATED</b>		
	Revaluation Reserve	Revenue Reserve	Total
	£'000	£'000	£'000
<b>21 RECONCILIATION OF MOVEMENT IN RESERVES</b>			
At 1 August 2002			
Surplus for Year	–	131	131
Restatement of Asset Value	(223)	–	(223)
Transfer Between Reserves	(1,413)	1,413	–
<b>At 31 July 2003</b>	<b>76,083</b>	<b>10,655</b>	<b>86,738</b>

	UNIVERSITY		
	Revaluation Reserve	Revenue Reserve	Total
	£'000	£'000	£'000
<b>21 RECONCILIATION OF MOVEMENT IN RESERVES (Continued)</b>			
At 1 August 2002	77,719	9,552	87,271
Surplus for Year	–	714	714
Transfer from Subsidiary Undertaking	–	69	69
Transfer Between Reserves	(1,636)	1,636	–
At 31 July 2003	76,083	11,971	88,054

**CONSOLIDATED and UNIVERSITY**

	2003 £'000	2002 £'000
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**22 CAPITAL COMMITMENTS**

As at 31 July 2003 the Governors had authorised future capital expenditure as follows:

Committed but Not Contracted	<b>1,852</b>	855
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**23 LEASE OBLIGATIONS**

Net Finance Lease Obligations are as Follows:

Amounts Due within One Year	<b>1,098</b>	1,362
Amounts Due between One and Two Years	<b>327</b>	1,183
Amounts Due between Two and Five Years	<b>276</b>	104
	<b>1,701</b>	2,649
Within One Year	<b>(1,098)</b>	(1,362)
After More than One Year	<b>603</b>	1,287

Included in the balance at 31 July 2003 is an amount of £227k due but not yet paid.

# Notes to the Accounts

(continued)

	CONSOLIDATED	
	2003 £'000	2002 £'000
<b>24 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Surplus/(Deficit) Before Interest and Tax	2,219	(2,875)
Depreciation	7,749	6,978
Deferred Capital Grants Released to Income	(628)	(569)
Decrease in Stocks	110	192
Decrease/(Increase) in Debtors	1,706	(1,170)
Increase in Creditors	336	3,797
Loss on Disposal of Assets	75	703
Decrease in Provisions	(324)	(198)
<b>Net Cash Inflow from Operating Activities</b>	<b>11,243</b>	<b>6,858</b>

	CONSOLIDATED			
	Opening £'000	Cash Flow £'000	Other £'000	Closing £'000
<b>25 ANALYSIS OF CHANGES IN NET DEBT</b>				
Cash at Bank and in Hand	909	2,527	–	3,436
Debt due within One Year	(2,850)	2,850	(2,500)	(2,500)
Finance Lease Obligations	(1,287)	(414)	1,325	(376)
Long Term Loans	(28,758)	–	1,402	(27,356)
<b>Net Debt</b>	<b>(31,986)</b>	<b>4,963</b>	<b>227</b>	<b>(26,796)</b>

	CONSOLIDATED	
	2003 £'000	2002 £'000
<b>26 CASH FLOW RELATING TO EXCEPTIONAL ITEMS</b>		
As at 1 August 2002	–	(6,150)
Operating Cash Inflow	–	6150
<b>As at 31 July 2003</b>	<b>–</b>	<b>–</b>

## CONSOLIDATED and UNIVERSITY

	2003 £'000	2002 £'000
Amounts Expiring Within One Year	156	7
Amounts Expiring Between One and Two Years	18	30
Amounts Expiring Between Two and Five Years	628	410
Amounts Expiring in More than Five Years	592	692
	<b>1,394</b>	<b>1,139</b>

At 31 July 2003 the University had annual commitments under non-cancellable operating leases as follows:

In 2002, the University entered into a thirty year Head Tenancy agreement for the letting of a student residence at an annual commitment of £825k. This however, should be fully offset by income from students.

## 28 PENSION SCHEMES

### Pension and Similar Obligations

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of both schemes are held in separate trustee-administered funds.

### Teachers' Pension Scheme (TPS)

The TPS is a statutory, contributory, final salary 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 education authorities and also to teachers in many independent and voluntary-aided schools and establishments of further and higher education. Teachers are able to opt out of the TPS.

Although teachers are employed by local education authorities and various other bodies, their retirement and other superannuation 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 TPS, which is an unfunded scheme, 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' pension regulations require an annual account, the Teachers' Pension Account, to be kept of receipts and expenditure (including the cost of pensions increases). Any excess of income over expenditure is deemed to be invested. Notional interest, derived from the average return of very large pension funds, on the deemed investment is added to the Account; the resultant balance is known as the notional fund.

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

Contributions are assessed in two parts. First, a normal contribution is determined. This is the contribution, expressed as a percentage of the salary of a teacher newly entering service, which would defray the cost of benefits payable in respect of that service. Currently, teachers pay 6% of salary whilst their employers pay the balance of the normal contribution. Secondly, a supplementary contribution is payable by employers if, as a result of the actuarial investigation, it is found that the accumulated liabilities of the account for benefits to past and present teachers are not fully covered by normal contributions to be paid in future and by the fund built up from past contributions. The current rate of the employer's contribution is 13.5% of the teacher's salary.

The cost recognised within the income and expenditure account, in respect of the TPS, is equal to the contributions payable to the TPS for the year.

# Notes to the Accounts

(continued)

## Local Government Pension Scheme (LGPS)

The LGPS is regulated by statute, with separate regulations for (a) England and Wales and (b) Scotland. The benefits of the LGPS are determined nationally by regulation and meet the definition of a defined benefit scheme. The LGPS is a funded scheme, with some 100 separate funds administered locally by administering authorities. Each fund has many employing authorities.

## Tyne & Wear Pension Fund (TWPF)

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.

During the year, the University's contribution rate for non-academic administrative staff was 10.56% for the period from 1 August 2002 to 31 July 2003 and 8.8% respectively for other non-academic staff.

The cost recognised within the income and expenditure account, in respect of the TWPF, is equal to the contributions payable to the TWPF for the year after a release of £219k (2001/02: £209k) from the additional pension provision. The additional pension provision was set up to spread the cost of the increasing contribution rates recommended by the 1998 valuation. The additional pension provision of £2,800k (2001/02: £3,124k) represents the accumulated difference between the amounts charged to the income and expenditure account and the actual contributions paid.

The pension charge for the year also includes £259k (2001/02: £97k) 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, based on the total capital cost of providing enhanced pensions, assuming continuing levels of pension increases of 2.5% and a gross investment return of 7.0%.

Where the University closes, and there is no successor establishment, the Secretary of State becomes the compensating authority.

The total pension cost for the University, and its subsidiary companies, was:

	Year Ended 31 July 2003	Year Ended 31 July 2002
	£'000	£'000
Costs of TPS	5,354	4,179
Costs of TWPF	5,771	4,764
Other pension costs	281	302
	<b>11,406</b>	<b>9,245</b>

Includes employees' and employers' contributions.

The actuaries to the TWPF completed a valuation of the Fund as at 31 March 2001 in accordance with the Regulations governing the LGPS. The results of the valuation were set out in the Rates and Adjustments Certificate dated 28 March 2002. Based on that valuation, the required employer contribution rate for the University was set at 18% of pensionable remuneration per annum effective from 1 April 2002 to 31 March 2005. The contribution rate was determined after allowing for the amortisation of surpluses over the average remaining service lives of the current members of the Fund. In addition to the required contribution rate, additional contributions will be required in respect of the costs arising from non-ill health early retirements prior to age 60 occurring in the period of the Rates and Adjustments Certificate.

The valuation as at 31 July 2003 was carried based on an update of the preceding actuarial valuation of the fund as at 31 March 2001. In completing the valuation, the most significant assumptions are the financial ones, and these are summarised below:

Discount rate for periods:

After retirement	5.4%
Before retirement	5.4%
Rate of pay inflation:	4.3%
Rate of pensionable pay inflation	2.5%
Rate of price inflation	2.5%

### 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 under the transitional arrangements, the effect on the University's net assets and Income and Expenditure Account reserve at 31 July 2003 if the amounts had been recognised in the financial statements.

The assets in the TWPF, of which the University's share is estimated at 1.8%, and the expected rates of return were:

	Long-term Rate of Return Expected at 31 July 2003	Value at 31 July 2003	Long-term Rate of Return Expected at 31 July 2002	Value at 31 July 2002
	%	£'000	%	£'000
Equities	8.0	1,366,000	8.0	1,187,000
Gilts	4.7	169,200	4.9	213,000
Bonds	5.4	366,800	5.8	330,000
Property	6.7	185,700	5.8	163,000
Cash	3.5	34,600	4.5	66,000
<b>Total Market Value of Assets</b>	<b>7.1</b>	<b>2,122,300</b>	<b>7.0</b>	<b>1,959,000</b>

	Year Ended 31 July 2003	Year Ended 31 July 2002
	£'000	£'000
University's Estimated Asset Share	45,655	39,131
Present Value of Scheme Liabilities	(84,599)	(71,223)
<b>Deficit in the Scheme</b>	<b>(38,944)</b>	<b>(32,092)</b>

# Notes to the Accounts

(continued)

Under the transitional arrangements of FRS 17, no provision has been made by the group for the University's share of the deficit of the scheme. If provision were made, the following entries would be made:

	Year Ended 31 July 2003	Year Ended 21 July 2002
	£'000	£'000
<b>Balance Sheet</b>		
Net Assets Excluding FRS 17 Pension Liability	94,583	90,693
Net Pension Liability	(38,944)	(32,092)
Net Assets Including FRS 17 Pension Liability	55,639	58,601

## Reserve Note

Revenue Reserve Excluding FRS 17 Pension Liabilities	10,655	9,111
Pension Reserve	(38,944)	(32,092)
Revenue Reserve Including FRS 17 Pension Liabilities	(28,289)	(22,981)

	Year Ended 31 July 2003
	£'000

## Analysis of the amount charged to the Income and Expenditure Account (comparatives are not required).

Service Cost	3,720
Total Operating Charge	3,720

## Analysis of Net Return on Pension Scheme

Expected Return on Pension Scheme Assets	(2,849)
Interest on Pension Liabilities	4,204
Net Return	1,355

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

Actual Return Less Expected Return on Pension Scheme Assets	(6,075)
Actuarial Loss Recognised in the STRGL	(6,075)

	Year Ended 31 July 2003 £'000
<b>Movement in Deficit During the Year</b>	
Deficit in Scheme at 1 August 2002	(32,092)
Movement in Year:	
Current Service Charge	(3,720)
Contributions	4,851
Curtailment Cost	(553)
Other Finance Income (Charge)	(1,355)
Actuarial Loss	(6,075)
Deficit in Scheme at 31 July 2003	(38,944)

**Historic Experience of Gains and Losses**

Difference Between the Expected and Actual Return on Assets	423
% of Scheme Assets	0.93%
Experience Gains and Losses on Scheme Liabilities	0
% of Scheme Liabilities	0.0%
Total Amount Recognised in STRGL	(6,075)
% of Scheme Liabilities	(7.18%)

# Notes to the Accounts

(continued)

	2003 £000	2002 £000
<b>29 EXTERNAL FUNDS</b>		
<b>a) Access Funds</b>		
Balance Brought Forward	82	125
Funding Council Grants	1,144	910
Interest Earned	–	2
	<b>1,226</b>	<b>1,037</b>
Disbursed to Students	<b>(1,195)</b>	<b>(955)</b>
Balance Carried Forward (Included in Creditors – Note 16)	<b>31</b>	<b>82</b>
<b>b) Teacher Training Agency (TTA) Bursaries</b>		
Balance Brought Forward	333	–
Funding Council Grants	1,181	1,234
	<b>1,514</b>	<b>1,234</b>
Payments to Trainees	<b>(1,187)</b>	<b>(901)</b>
Due for Recovery by TTA (Included in Creditors - Note 16)	<b>327</b>	<b>333</b>
<b>c) Health Authority Bursary</b>		
Balance Brought Forward	(224)	628
Cash Received	222	–
	<b>(2)</b>	<b>628</b>
Disbursed to Students	<b>(1)</b>	<b>(852)</b>
Due from Health Authority (Included in Creditors - Note 16)	<b>(3)</b>	<b>(224)</b>

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.

### 30 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>Purchases</b>
Chesterton plc	£939	£57,317
Dickinson Dees	£46,463	£51,756
University of Northumbria Students' Union	£44,018	£567,469

