

2010-11  
Financial  
Statements





Newcastle  
University  
Medicine Malaysia

The first cohort of Malaysian-based students started at our brand new medical campus in Malaysia in September 2011.

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- 1** Students outside the new Baddiley-Clark Building.
- 2** Her Royal Highness Princess Anne names the University's new research vessel, *The Princess Royal*.
- 3** The refurbished Students' Union opened in September 2011.

# Foreword

I would like to thank, on behalf of all Council members, Mrs Olivia Grant, our retired Chair of Council, for her significant contribution to the University's continuing success over the last decade. Olivia has served on Council for 10 years, nine of these as Chairman, during which time the University has grown in size and strength and stands as one of the country's premier institutions.

Olivia has shown great courage and foresight in helping the University to make some critical decisions in her time as Chairman of Council, including the development of two international campuses and the approval of a £200m building programme to improve the city-centre campus. Fellow Council members, the senior management team, staff and students, have all benefited from her professional expertise, wise counsel, and total commitment to the University's success. One of Olivia's most valuable contributions has been the way in which she has, over the years, finessed a number of complex and potentially difficult governance challenges. Her Chairmanship has been consistently strong and fair. We will all miss her guidance, advice and friendship, and offer our profound thanks to her, along with our very best wishes for the future.

The past year has been one of great turbulence in higher education and, under the new funding regime, British higher education faces many challenges and much uncertainty. On the broader front, the UK's emergence from recession has been slower and less confident than hoped. Despite these challenges, the University has continued its trajectory of a world-class civic university and it is particularly encouraging that in 2010–11 the University has been able to sustain its academic success and strong financial performance.

Council and Senate continue to commit much of their time to the review and governance of the vital, and occasionally competing, issues of academic direction and financial sustainability. The University is subject to close and effective stewardship and remains financially strong, allowing sustained investment in our academic vision. In Malaysia, construction of our splendid new medical campus was completed in May and received the first cohort of Malaysian-based students in September 2011. Closer to home, we took possession of our new Business School, and work is progressing on-schedule on the radically refurbished Students' Union Building, both of which opened at the start of the new academic year.

During the year, we were delighted to award Honorary degrees to Joan Bakewell, John Hardy, Anne Martin-Matthews, James Vaupel and Rudi Westendorp, specifically in recognition of their varied contributions to the field of ageing and health. We were also delighted to confer Honorary degrees upon Olivia Grant, David Almond, Ian Gregg and Dianne Nelmes, and to award Honorary fellowships to Chris Hilton and Lorna Rozner.

We have seen a number of changes in the membership of Council in 2011 and I wish to thank all members, but especially those now standing down, for their wisdom, energy, and unstinting support through this and previous years. Equally, we must thank those other friends of the University who give freely of their talents, advice, and time in pursuit of our goals.

While the University's standing is reflected in national and international recognition it is inevitable that changes in the balance of funding of higher education, and the consequent increase in fees from 2012, will impact on student expectations. Performance in student satisfaction surveys is also generally encouraging but, to meet our future obligations and deliver essential further investment, it is vital that the University continues to fulfil its financial strategy. It is very pleasing therefore that in 2010–11 the University again delivered a very strong operating surplus and cash position. We realise that future challenges may be reflected in less buoyant financial performance, but we should be confident that the University approaches this period in good shape. On behalf of Council, I want to congratulate the Vice-Chancellor, members of Executive Board and staff throughout the University for their contributions to an excellent year.

It is many years since higher education in Britain faced uncertainty on the current scale and some institutions are likely to be sorely challenged. Newcastle University will not be complacent but the combination of our academic vision and drive, supported by our sound financial foundation, will enable us to engage successfully in the new regime and continue to deliver our academic mission.

**Mark I'Anson**

Chair of University Council and Pro-Chancellor

Our publication *Vision 2021 A world-class civic university* continues to guide our strategic direction. Following the successful launch of the first societal challenge theme of Ageing and Health in 2010, this year we introduced Sustainability as our second societal challenge theme, in which the newly created Newcastle Institute for Research on Sustainability is playing a pivotal role. Addressing the theme of 'Enough, for all, forever' the Institute aims to bring people together from throughout the University and the wider community to develop sustainable responses to the great challenges of our age. In promoting the practical application of internationally leading, cross-disciplinary research, it is an exemplar of the breadth of vision in our research strategy, and the strength found in many of our disciplines. In 2012 we anticipate the launch of our third societal challenge theme, focusing on Social Renewal.



# Principal Officers of the University and Members of Council

For the year ended 31 July 2011

## Chancellor

Professor Sir Liam Donaldson

## Chair of Council and Pro-Chancellor

Mrs Olivia Grant

## Vice-Chancellor

Professor Chris Brink

## Deputy Vice-Chancellor

Professor Ella Ritchie

## Members of Council

Mrs Olivia Grant (Chair) <sup>1 4 6 7 8</sup>

Professor Chris Brink <sup>2 4 6 7</sup>

Mr Nick Blezard <sup>1 8</sup>

Mr Neil Braithwaite <sup>1</sup>

Ms Lil Collingham <sup>3 8</sup>

Professor Máire Cross <sup>2 8</sup>

Mr Mike Davison <sup>1 5</sup>

Mr Tom Delamere <sup>3 8</sup>

Mr Colin FitzPatrick <sup>1 5</sup>

Dr Felicity Harvey <sup>1 8</sup>

Ms Jacqui Henderson (Deputy Chair) <sup>1</sup>

Mr Robert Hull <sup>1 5</sup>

Mr Mark l'Anson (Vice-Chair and Chair from 1 August 2011) <sup>1 7</sup>

Sir Miles Irving <sup>1 5 8</sup>

Mr Peter Johnson (Treasurer) <sup>1 4 6 7</sup>

Mr Stephen Lightley <sup>1 4 8</sup>

Dr Lana Liu <sup>2 8</sup>

Professor David Manning <sup>2</sup>

Mr Simon Pallett <sup>2</sup>

Professor David Parker <sup>2</sup>

Mr Simon Pleydell <sup>1</sup>

Ms Kate Priestley <sup>1 6 7</sup>

Professor Ella Ritchie <sup>2 6 7</sup>

Mr Ian Shott <sup>1</sup>

Mr Paul Walker <sup>1</sup>

## Members of Executive Board

Professor Chris Brink  
(Vice-Chancellor)

Professor Ella Ritchie  
(Deputy Vice-Chancellor)

Professor Suzanne Cholerton  
(Pro-Vice-Chancellor – Learning and Teaching)

Professor Chris Day  
(Pro-Vice-Chancellor – Medical Sciences)

Professor Charles Harvey  
(Pro-Vice-Chancellor – Humanities and Social Sciences)

Professor Oliver Hinton  
(Pro-Vice-Chancellor – Science, Agriculture and Engineering)

Professor Tony Stevenson <sup>4</sup>  
(Pro-Vice-Chancellor – Planning and Resources)

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

Dr John Hogan  
(Registrar)

Mr Richard Dale  
(Executive Director of Finance)

Mrs Veryan Johnston  
(Executive Director of Human Resources)

- 1 Lay member
- 2 Employee of the University
- 3 Student representative
- 4 Member of Finance Committee
- 5 Member of Audit Committee
- 6 Member of Nominations Committee
- 7 Member of Remuneration Committee
- 8 Retired as from 31 July 2011

## The following are members of Council from 1 August 2011:

Dr Peter Andras, Professor Vicki Bruce, Mr Liam Dale,  
Mrs Heidi Mottram, Mrs Laura Perry.

# Vice-Chancellor's Introduction

The past year has been a tumultuous one for higher education. Policy changes have been made – and, indeed, are still being made – which will set higher education in the UK, and particularly in England, on an entirely different path. That path, as expressed by the responsible government minister, is one of marketisation and consumerism.

From September 2012, state funding for university teaching is to be drastically reduced (by about 80%), and student fees are to be drastically increased. To make up for the cuts, many universities, including Newcastle, have set their overall fees at the capped figure of £9,000 per annum. Students will pay the university, the state will lend them the money to do so, and students will then repay their loans once they have graduated and earn above a certain threshold. In addition, the longstanding central allocation of a fixed number of student places per university will over time be abolished, and universities will have to compete for students.

The government's White Paper, published at the end of June, could have even more far-reaching effects than the change in fees. It signals the beginning of the end of fixed allocations of 'student numbers' to each university. Universities will be free to recruit as many school-leavers with A level results of AAB or better as they wish, and it is envisaged that this change may be extended in future to those with lower results as well. This will undoubtedly unleash fierce competition amongst universities to recruit as high a proportion as possible of top-performing school-leavers and creates an unavoidable tension with efforts towards widening participation.

that lie ahead. We will make generous provision for financial aid to those students who have potential and ability but come from a disadvantaged background, increasing our annual expenditure on bursaries and outreach activities from £7m to £13m by 2016–17.

Our track record over the past year bears testimony to our progress as a world-class civic university. Our recently established Newcastle Institute for Research on Sustainability has already shown how the application of good science can make a difference in our city and region, doing work on urban transport, underground coal gasification, and geothermal heating. The completion of a 2km-deep borehole to bring hot water to the surface could provide efficient and cheap energy on our Science Central site, in the heart of Newcastle. Our scientists and engineers have been so successful in raising grants from the Engineering and Physical Sciences Research Council that we have become one of only 12 UK universities invited to join their Framework Agreement. We were also successful in a joint bid with Durham University to the Economic and Social Research Council for a North East Doctoral Training Centre which will support postgraduate social science research.

As regards learning and teaching, the latest results from the National Student Survey place Newcastle University 10th in the country for student satisfaction and the Higher Education Statistics Agency rates Newcastle 5th in the country for graduate employability amongst full service public universities.

All these activities and successes are underpinned in many ways by our support services staff, who have put in an excellent performance over the past year. Both our Library and our Estate Support Service won, in their respective categories, the top national award of the *Times Higher Education*.

Internationally, we have taken possession of our brand new medical campus in South Johor, Malaysia, which began full operation in September 2011. We have also signed a new agreement with the Singapore Institute of Technology to deliver degree courses in various branches of engineering and science. This will expand our current presence in Singapore to a satellite campus with about 600 students per year.

The University community has really pulled together over the past year. Staff and students have participated in the vigorous debates leading up to the new funding regime, but have also at every turn demonstrated their determination to do their best for the University. Likewise, our alumni, donors, benefactors and friends have been generous in their support. With such commitment we face the future with confidence.

Finally, I would like to pay tribute to Olivia Grant who stepped down as Chair of Council at the end of the financial year and I am delighted that Council has appointed Mark l'Anson, who has served as Deputy Chair since 2009, as her successor.

**Professor Chris Brink**  
Vice-Chancellor

In this new environment we have reaffirmed our vision of Newcastle as a world-class civic university, providing our students with an education for life, committed to the marriage of excellence and relevance, and consciously pursuing both quality and equality. We are convinced that a Newcastle degree will prepare our students for life and the world around them, and will stand them in good stead in their lives and careers. We are determined to provide them with the best possible student experience, good facilities, and an excellent teaching and learning environment.

In the new environment, financial health and sustainability will be an indispensable enabler. We are very conscious of the fact that all research councils, charities and other funding bodies face constrained circumstances – not to mention the fact that our Regional Development Agency, One North East, which had been a staunch financial supporter of the University, has been abolished during the past year. However, as our financial statements show, Newcastle University is well prepared for the uncertainties and perturbations



# The University

## Overview

Newcastle University can trace its origins to a school of medicine and surgery, established in Newcastle in 1834, and to the College of Physical Science, later Armstrong College, founded in the city in 1871. These two colleges formed one division of the federal University of Durham, the Durham Colleges forming the other division. The Newcastle Colleges merged to form King's College in 1937 and, in 1963, when the federal University was dissolved, King's College became the University of Newcastle upon Tyne, latterly trading as Newcastle University.

The University is a member of the Russell Group, comprising 20 leading research institutions in the UK. It has one of the largest European Union research portfolios in the UK and has research links with many other countries. Our research spans a wide range of activity, subject boundaries and traditional faculty divides, with a strategy to develop our research to address major societal challenges.

Over 20,400 students from more than 100 different countries choose to study at Newcastle. We have close to 200 full-time undergraduate degree programmes on offer, in a wide range of subject areas and combinations. Our 50-acre site at the heart of Newcastle city centre boasts some of the best teaching and learning facilities in the country. We have invested significantly in the University's estate over the last few years to improve the quality of the environment for students, staff and visitors. We are one of the largest employers in the North East of England, with approximately 5,000 staff.

We play a leading role in the economic, social and cultural development of the North East of England and we collaborate with a range of partners and strategic initiatives, helping to extend the University's influence and reinforce our ties with the city, region and beyond. These include Newcastle City Council, the NHS and Durham University via the Angel Alliance.

Our principal competitors are research-intensive universities in the UK and, to a lesser extent, other universities in the North East. However, it is in the nature of the higher education sector that we compete and collaborate at the same time.

## Organisation

We have three core academic functions:

- research and innovation
- learning, teaching and the student experience
- engagement

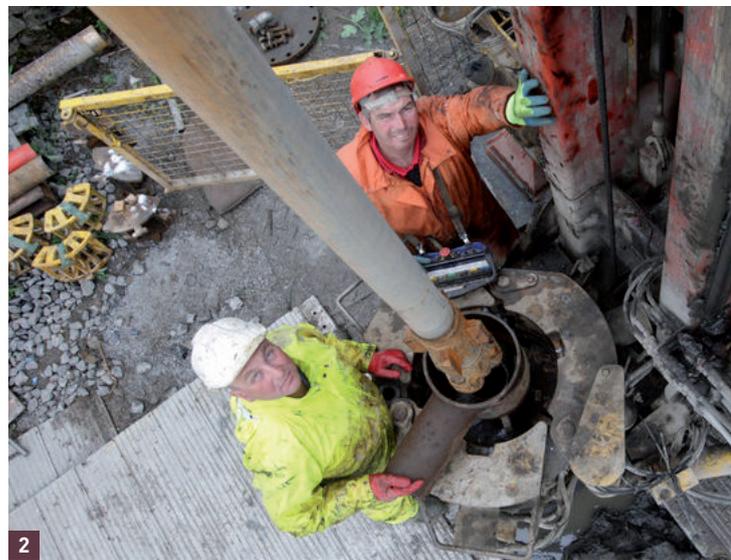
Strategic leadership of each of these is provided, on a university-wide basis, by our Deputy Vice-Chancellor and two Pro-Vice-Chancellors. Delivery of the core academic functions occurs in our three faculties, each led and managed by a Pro-Vice-Chancellor (PVC).

- Faculty of Humanities and Social Sciences
- Faculty of Medical Sciences
- Faculty of Science, Agriculture and Engineering

Each faculty consists of a number of academic units, typically a school or a research institute, led and managed by a head. The core functions and structures combine to form the academic map of the University, in which we envisage the faculties as vertical columns, with the core functions as cross-cutting institutional activities. Interdisciplinary and cross-disciplinary activities are co-ordinated and supported by the functional PVCs. The academic enterprise is supported by a number of corporate activities within the professional support services, led and managed by the Registrar.

**1** Newcastle University's Armstrong Building.

**2** Drilling of the borehole deep under the heart of Newcastle in search of geothermal energy.



## Charity status and public benefit statement

Newcastle University is an exempt charity under the terms of the Charities Act 1993. In developing and overseeing the University's strategy and activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education and fee charging. The Higher Education Funding Council for England (HEFCE) is the principal regulator for most English higher education institutions under the Charities Act 2006.

The University was established by an Act of Parliament in 1963, which did not state the object of the University. In March 2011, we gained approval from the Privy Council for a major set of revisions to our statutes, which included defining the object of the University as 'for the public benefit, to advance education, learning and research'.

Our mission is:



To be a world-class research-intensive university, to deliver teaching and facilitate learning of the highest quality and to play a leading role in the economic, social and cultural development of the North East of England.



Public benefit is embedded in our strategic aims and objectives set out in *Vision 2021 A world-class civic university*. The University takes seriously its commitment to ensure that it satisfies the Charity Commission's public benefit test that there must be identifiable benefits and the opportunity to benefit must not be unreasonably restricted. We have an active scheme to encourage participation in our academic programmes by students from under-represented social economic groups.

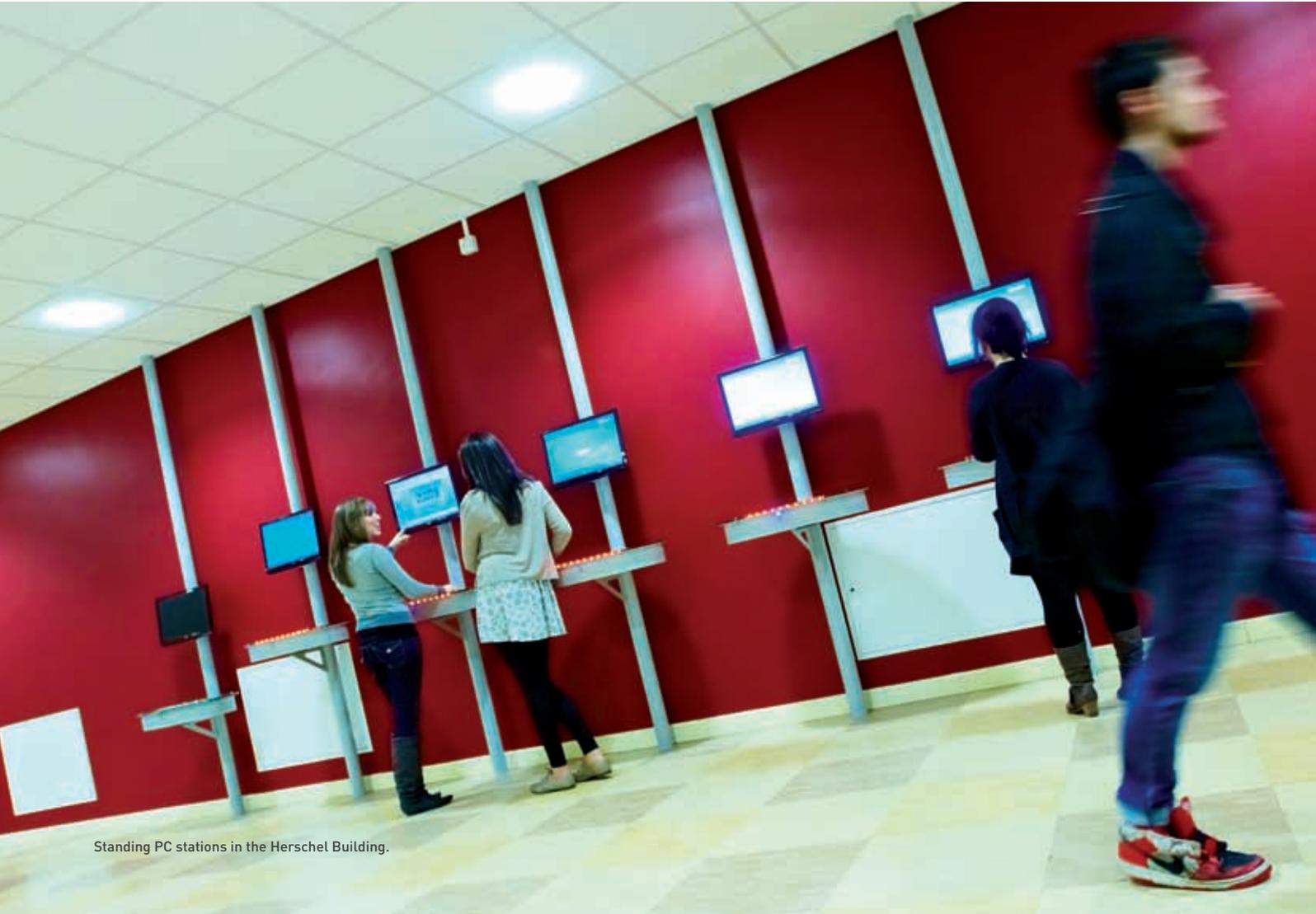
Our student intake in September 2010 included 969 students eligible for full state support (ie their household income was at or below £25,000 per annum). This constitutes 25% of 2010 full-time UK undergraduate entrants. A further 654 new undergraduates were eligible for partial state financial support (ie their household income was between £25,001 and £50,020 per annum) and this constitutes 17.4% of 2010 full-time UK undergraduate entrants. In 2010-11 we made 4,253 bursary awards spending over £4.7m and assisting 3,260 students who were from low household income backgrounds (28.5% of our home students).

During 2010-11 we awarded more than 6,600 undergraduate and postgraduate degrees.

We are the largest research university in the North East. During the calendar year 2010 our academic staff published 3,920 research articles, books, book chapters and conference proceedings, up from 3,182 in 2009. Our total research income in 2010-11 was £88.5m.

To support the charitable work of the University, we received £3.2m in donations from a wide range of benefactors including many of our alumni and we are grateful for their support.

More information on the work of the University and the way it fulfils its charitable purpose is included in this review and in separate publications including *Ahead*, our annual review.



Standing PC stations in the Herschel Building.

# Key Performance Indicators

## Objective 1

**To be in the top 20 in the UK for research quality and power**

**Ranking:** Target – top 20

17th for Power and 27th for Quality in 2008 RAE.

**Research income:** Target – £44k per academic  
£43k in 2010–11. £42k in 2009–10, ahead of Russell Group and 1994 group average.

**Staff submittable to Research Excellence Framework:** Target – 85% by 2012

REF rule changes regarding funding for 2\* research require an ongoing review of this target.

**Patents:** Target – eight patents per year

Two granted in 2010–11 (three granted in 2009–10).

Medium Risk

## Objective 2

**To achieve student satisfaction ratings of 90% or better in all subject areas**

**Satisfaction:** Target – minimum 90% satisfaction. No school below 90%

89% in 2011 (87% in 2010 and 2009). Ahead of sector and comparator group, but room to improve in some schools.

**Postgraduate students:** Target – 27% of total students by 2015

Target achieved, 28.1% in 2010–11.

**Employment:** Target – Top 15 in Times Guide for graduate-level jobs or postgraduate study

Target achieved. 15th (75.4%) in 2012 Times Guide (published June 2011). 29th (72.4%) in 2011 Times Guide.

Medium Risk

## Objective 3

**To achieve a focus on societal challenge themes**

**Programme:** Target – one societal challenge theme per year until 2012

The 2010 theme Ageing and Health is now being sustained in the Faculty of Medical Sciences. The theme for 2011 is Sustainability. Social Renewal has been announced as the theme for 2012.

**Staff involvement:** Target – 10% of academics to contribute per year

Target achieved in 2010 and 2011.

Good

## Objective 4

**To achieve a significant international profile**

**International partnerships:** Target – one per year until 2015

Monash and Groningen relationships significantly deepened. Exploratory work in China undertaken.

**International student body:** Target – 20% of total by 2014

19.3% in 2010–11. Ahead of comparator group.

**In country delivery:** Target – three new operations by 2015

Malaysian Medical School (NUMed) on schedule.

Six degree programmes now delivered at the Singapore Institute of Technology (SIT); the expected annual intake of full-time students is 300.

Exploratory work under way on options in India.

Good

## Objective 5

**To achieve financial and environmental sustainability**

**Financial surplus:** Target – >4% of income

4% in 2010–11. Target exceeded for last three years.

**Infrastructure investment:** Target – >6% of income

11.5% in 2010–11 confirming commitment to estate.

**Research contribution:** Target – >25% of income

24% contribution earned 2010–11 (2009–10: 24%).

**Cash:** Target – balances >£50m

Net cash at 31 July 2011 was £104.8m.

**Staff costs:** Target – <55% of income

A significant sustainability measure. 53.4% in 2010–11.

**Staff satisfaction:** Target – staff satisfaction >90%

In the most recent (2010) Opinion Survey, 93% of staff considered the University 'a good place to work'.

**Carbon footprint:** Revised Target – 43% reduction by 2020

Our Carbon Management Plan details the actions to achieve this target.

Generally Satisfactory

High Risk

Medium Risk

Generally Satisfactory

Good



## Fees and Funding

The Browne Review and subsequent legislation on fees and funding for higher education have introduced a new funding regime for English universities. The changes were approved by both Houses of Parliament in December 2010 and come into operation for home undergraduate students entering the system in autumn 2012.

The new dispensation has far-reaching implications for the higher education sector:

- government funding for many subjects will be completely removed
- most of the costs of tuition will be transferred to students, who will consequently have greater expectations in terms of quality, contact time, employability and the student experience
- for the academic year 2012–13, full-time undergraduate 'basic' and 'higher' tuition fee amounts for home and EU students have been increased by Parliament to £6,000 and £9,000 per year respectively
- universities proposing a fee of more than £6,000 must have an Access Agreement with the Office for Fair Access (OFFA) in which they set out firm commitments and stretching targets relating to fair access
- although higher education remains free at the point of use, with loans repayable only when a graduate is earning more than £21,000 per annum, the new fee levels inevitably raise concerns among students and their families about the affordability and value for money of a university education. The challenges of widening participation and fair access may become more acute in this context

A task group, chaired by the Pro-Vice-Chancellor (Planning and Resources), and including student representation, undertook a wide-ranging, consultative process to determine:

- what fee(s) the University should charge from 2012
- what constitutes the University's 'offer' to students
- how the University can ensure delivery of the offer

Discussions by the University's Senate and Council, informed by Town Hall meetings held by the Vice-Chancellor for each of the faculties and the professional support services, led to the conclusion that the University should position itself as a premium fee provider with a value proposition based upon high-quality, distinctive features, reputational advantage and excellent service.

### Fee setting

Senate and Council agreed that the University should seek to charge a fee of £9,000 per year for undergraduate programmes from 2012. Initial indications are that the increase in fees has not had a detrimental impact on student recruitment. Attendance figures at the two 2012-entry Visit Days in July 2011 reached a record 18,000, an increase of 24% on the equivalent events in 2010.

While the White Paper said little on the subject, the new funding regime also has implications for the fees to be charged for home postgraduate taught programmes. The University has agreed that a minimum home taught postgraduate fee of £5,500 will be charged (with the possibility, as now, of charging premium fees for certain disciplines). We intend to monitor the impact of our postgraduate fee decisions and make adjustments as appropriate in future years. A further change was the increase in the fee discount for alumni of the University from 10% to 20%.

**1** Our well-resourced Careers Service: Newcastle is a top 20 university targeted by graduate employers.

**2** University Widening Participation activities such as the Bitesize Uni residential event give school and college students the chance to find out if university is for them.



## Widening participation and fair access

The University's Access Agreement, approved by the Office of Fair Access (OFFA) in July 2011, confirms our commitment to widening participation (WP) and safeguarding fair access, and our belief that ability should be able to access opportunity, regardless of circumstance. We wish to encourage able, highly motivated and enthusiastic students of all ages, and from all backgrounds and contexts, to apply to our degree programmes.

Newcastle University has a rich and wide-ranging history of large-scale and successful regional widening participation activity dating back to 1993, including activities such as Students into Schools, PARTNERS, the Graduate Ambassadors and a diverse portfolio of subject-specific outreach and engagement with regional schools and colleges. We also play a leading role in national and regional collaborative work to promote WP and fair access.

Newcastle University is leading the HEFCE-funded Realising Opportunities project, through which 12 universities are working together to develop a collaborative compact scheme to encourage the progression of able young people from under-represented groups to research-intensive universities. Realising Opportunities has been shortlisted for the Times Higher Education Awards 2011 in the Widening Participation Initiative of the Year category. This nomination recognises the effort and support of all the partners but particularly reflects the leadership of Newcastle University in the development of this prestigious project.

We know from our work with regional schools and colleges that there is a direct correlation between intensity of outreach and diversity of intake, and our Access Agreement plans from 2012 onwards seek to extend, both geographically and in intensity, the activities that have impact and are scaleable. We plan to:

- enhance and further develop our WP work in the region
- significantly expand the geographical reach of our WP activities by expanding our Graduate Ambassador scheme and targeting schools and colleges in additional regions
- continue our commitments to regional and national collaborative WP activities, including the Realising Opportunities scheme
- support fair access to the professions, and enhance our work to support student retention, skills and success
- provide financial support through a scholarship scheme that offers a balance of fee waivers and cash bursaries (including a significant commitment to the government's National Scholarship Programme)

We are confident that our plans are both ambitious and realistic and that their impact will be significant, both in terms of our profile in the target regions and for our overall progress towards the HESA benchmarks. Our financial commitment to the Access Agreement amounts to 33% of fee income above £6,000, once steady state is reached (by 2015–16).

## The Student Offer

In parallel with the discussions about fees and the Access Agreement, detailed consideration has been given to articulating what students will get in return for their fees. We aim to deliver research-informed teaching, facilitate applied learning of the highest standard and deliver a fully rounded, enjoyable and formative student experience.

In this way our commitment embraces not only the academic learning experience but all aspects of a student's time at Newcastle: academic, social, cultural, sporting, residential and work experience. We aim to enrich students' experience of higher education, invest in the continuous professional development of staff in the many ways that they support learning, teaching and assessment, and improve the delivery of our wide-ranging student services and infrastructure.

Following detailed consultation with staff and students, the University has agreed a firm commitment to the opportunities that students will have when undertaking an undergraduate degree at Newcastle University. These include:

- engagement with an up-to-date and coherent programme, designed and delivered to recognised external and professional standards, by subject experts
- the development of skills for learning, life, work and professional practice
- active membership of the University community, sharing ownership of their learning experience, and becoming a member of a lifelong network
- access to facilities that are of a good standard, functionally suitable, and that support varied approaches to teaching, learning and assessment

A parallel process is under way to consider the University's commitments to postgraduate provision.

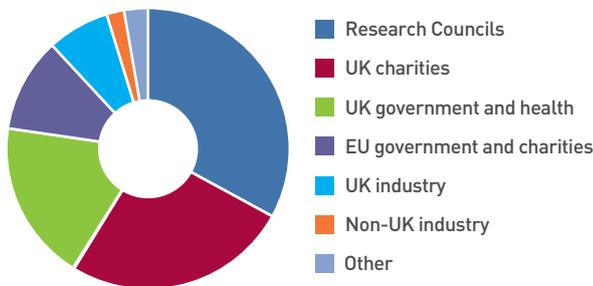
# Review of Operations

## Research and innovation

The key objectives in our research and innovation strategy are to:

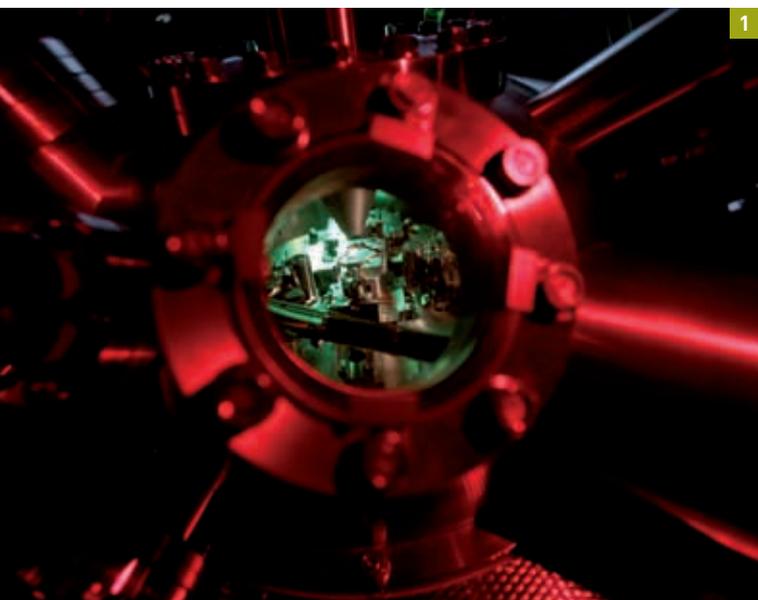
- grow areas of strength and address areas of weakness to achieve international excellence in all we do
- identify institutional challenge themes responding to societal needs and demands
- develop an innovation culture embedded throughout the University

Research income in 2010–11 was £88.5m, an increase of £3.3m (4%) on 2009–10. Research Council income fell by £1.0m to £29.2m, although this masked a variable picture across the Research Council portfolio with small rises from both the Engineering and Physical Sciences Research Council and the Medical Research Council. UK industrial and commercial income continued to grow (from £4.3m to £6.1m) and, whilst there was a decline in charity and EU income, income from UK government sources increased by 5%, reversing the significant decline seen last year. Key research income streams are analysed below:



New research awards during the year increased in value by 14% from £81.3m to £92.7m on a portfolio of 785 awards compared to 583 in the previous year. The volatility of the funding environment is demonstrated by the substantial changes in the funding mix and comparison to the research income figures above. Research Council awards decreased by 27%, whilst the decline in UK charities experienced in the previous year was reversed and exceeded 2008–09 levels at £26.1m. Awards from UK industrial sources increased from £2.2m to £6.4m and UK government and health authorities increased from £14.2m to £19.1m.

- 1 The National EPSRC X-ray Photoelectron Spectroscopy (XPS) service hosted by the University's nanoLAB.
- 2 A number of e-book readers are available to loan from the Library Service.



New research grants	2010–11		2009–10	
	£m	% of total	£m	% of total
Research Councils	23.4	25%	32.2	40%
European Commission	13.3	14%	15.6	19%
UK-based charities	26.1	28%	13.2	16%
Other	29.9	33%	20.3	25%
<b>Total</b>	<b>92.7</b>	<b>100%</b>	<b>81.3</b>	<b>100%</b>

The launch year of the Ageing and Health societal theme came to a fitting conclusion with the Coming of Age exhibition, which brought together both historic and contemporary art to celebrate the vitality, wisdom and achievements that come with age. Our Institute for Ageing and Health has been rewarded for the impact of its work in the Biotechnology and Biological Sciences Research Council Excellence with Impact awards, in recognition of the influence it has at a national and local level.

Sustainability was identified as our second societal theme and launched in August 2010 under the title 'Enough, for all, forever'. A varied 12-month programme of events, designed to attract regional, national and international interest is well established. The programme builds on the development of the Newcastle Institute for Research on Sustainability, which consolidates research in the area in a single framework involving researchers across the University.

The ambition of the University is to establish Newcastle University as Europe's leading centre of expertise in the principles and practice of sustainability, particularly in relation to our key strengths in:

- resilience of urban areas to climate change
- clean and renewable energy
- low-carbon transport
- marine ecology and technology
- high-value, low-emission manufacturing
- food security and the rural economy
- water and wastewater management

The third societal theme is Social Renewal, which will be launched in 2012. A new director is being recruited to lead this development.

The Engineering and Physical Sciences Research Council (EPSRC) has ranked Newcastle among its top 12 most strongly funded universities after it achieved £57.2m of awards in the last three years. As a consequence the University secures what is known as EPSRC Framework status. We secured the EPSRC National Service for X-ray Photoelectron Spectroscopy (XPS) against stiff competition. XPS is a priority for the UK research community. It is one of the principal methods of probing the composition and electronic structure of surfaces, with an increasing number of research applications in electronics, semiconductor physics, novel materials and biomaterials, surface chemistry and functionalisation, sensor surfaces, adhesion, abrasion and tribology. The new facility will be known as NEXUS.

Other research grant successes include the £12m Digital Economy Hub led by Professor Paul Watson; the Sustainable Urban Environment Award led by Professor Margaret Bell; and Dr Russell Davenport's Challenging Engineering award.

The University's position in research in the social sciences has also been recognised by the Economic and Social Research Council through the establishment of a major (£9m) Doctoral Training Centre in collaboration with Durham University.

Medical expertise at Newcastle University has been endorsed with the election of three new researchers to the Fellowship of the Academy of Medical Sciences. Academy Fellows are elected for outstanding contributions to the advancement of medical science, for innovative application of scientific knowledge, or for their conspicuous service to health care.

## Teaching, learning and the student experience

We aim to deliver research-informed teaching and facilitate applied learning of the highest standard and deliver a fully rounded, enjoyable and formative student experience. The key objectives in our teaching and learning strategy are to:

- create opportunities for students' personal and professional development
- deliver teaching and training in a professional, challenging and engaging way
- deliver curricular and extracurricular provision, which ensures graduates are well equipped for further training, research or workforce needs
- deliver all modules and programmes to agreed specifications
- ensure that our programmes meet relevant accreditation and quality standards
- foster a culture of independent learning, critical thinking and enterprise
- conduct an active programme of raising aspirations and widening participation

The University has revisited its Learning, Teaching and Student Experience Strategy in the light of national changes to the funding regime. While the core themes of our strategy remain the same, we have concentrated on articulating what students will get in return for their fees, and defining what the common elements and opportunities will be at the core of the learning experience of all undergraduate students. We are now in the process of aligning a number of institutional projects around these themes, investing in a process of improvements to the consistency and quality of the student experience, as embraced in our Student Offer.

Registered students as at 1 December 2010 were 20,414, a 3.8% increase over 1 December 2009, largely reflecting further growth in international student numbers. Home and EU undergraduate student numbers are within HEFCE recruitment limits.

Total students	2010			2009 Total	Growth %
	Full time	Part time	Total		
<b>Undergraduate</b>					
Home and EU	13,185	63	13,248	13,137	0.8%
Overseas	1,448	16	1,464	1,246	17.5%
<b>Total</b>	<b>14,633</b>	<b>79</b>	<b>14,712</b>	<b>14,383</b>	<b>2.3%</b>
<b>Postgraduate</b>					
Home and EU	1,942	1,305	3,247	3,237	0.3%
Overseas	2,279	176	2,455	2,047	19.9%
<b>Total</b>	<b>4,221</b>	<b>1,481</b>	<b>5,702</b>	<b>5,284</b>	<b>7.9%</b>
<b>Total</b>	<b>18,854</b>	<b>1,560</b>	<b>20,414</b>	<b>19,667</b>	<b>3.8%</b>

Since 2005, total student headcount has increased by 18% from 17,281 to 20,414. Home and EU students have increased by 11% from 14,904 to 16,495, and international students have increased by 65% from 2,377 to 3,919. Undergraduate degrees awarded were:

Award	2010-11		2009-10	
	Number	% of total	Number	% of total
First class	648	17%	572	15%
Second class, first division	1,971	51%	1,995	52%
Second class, second division	726	19%	688	18%
Third class	81	2%	110	3%
Other	436	11%	475	12%
<b>Total</b>	<b>3,862</b>	<b>100%</b>	<b>3,840</b>	<b>100%</b>

The Newcastle University Medicine Malaysia (NUMed) campus is complete and Stage 1 students began their studies in September 2011. The first cohort of students, who successfully completed their first two years at the Newcastle campus, transferred to NUMed in August to start Stage 3.

In collaboration with the Singapore Institute of Technology, the University has expanded its undergraduate teaching in Singapore. From September 2011, in addition to existing Marine Technology programmes, we are offering three new programmes in Mechanical Design and Manufacturing Engineering, Chemical Engineering, and Food and Human Nutrition.

The collaboration will continue to develop over time, with part-time programmes at both undergraduate and postgraduate levels being considered in future years.

The University maintained its strong institutional performance in the annual National Student Survey (NSS), with 89% of students who took part in the 2011 survey agreeing or strongly agreeing that they were satisfied with the overall quality of their course. This is a 2% improvement on 2010, and shows a sustained improvement from 81% in 2006 placing us in 10th position amongst full service, public universities.

Percentage of students who agree or strongly agree to satisfaction in:	Newcastle		England		Russell Group
	2011	2010	2011	2010	2011
The teaching on my course	89%	87%	84%	84%	88%
Assessment and feedback	66%	63%	68%	63%	63%
Academic support	82%	79%	77%	77%	78%
Organisation and management	86%	83%	75%	75%	81%
Learning resources	82%	83%	80%	80%	86%
Personal development	80%	81%	80%	80%	80%
Overall satisfaction	89%	87%	83%	83%	87%

Although action continues to be taken to address our relatively low scores on assessment and feedback, satisfaction in this area is showing a sustained trend of improvement. Satisfaction with the clarity of assessment criteria increased from 61% in 2006 to 73% in 2011 and promptness of feedback from 44% to 65% over the same period. The results for the ability to access IT were disappointing with a significant decline to 82% (88% in 2009). The University continues to address this by investment in upgrading IT facilities and developing innovative, user-friendly, learning spaces.



Results at subject level were also very pleasing with 15 individual subjects in the top 10 for overall student satisfaction and 18 of our published subject scores meeting or exceeding the 90% target for this measure.

The results of the 2010 International Student Barometer (ISB) confirmed a number of positive outcomes. Ninety per cent of ISB respondents rated their general satisfaction with Newcastle as high. Identified areas of strength include the Careers Service (92%), IT support (95%), and the Library (93%). We are addressing areas identified for improvement, including opportunities for social integration of international students.

During 2010–11, we took part in the Postgraduate Research Experience Survey (PRES). We participate in this survey and its teaching counterpart, the Postgraduate Taught Experience Survey, in alternate years. We achieved a comparatively high response rate of 43% (national average of 32%). Newcastle mean scores were higher than the sector as a whole on the measures of: Supervision; Infrastructure; Intellectual Climate; Goals and Standards; and Professional Development. Newcastle was equal to the national average on Skills Development. It is pleasing to note that students rate their Supervisory Support and Guidance as the most important aspect of their degree and that this measure also achieves the highest average score.

We continue our programme of improvement to learning spaces, and continue to invest in our ReCap Lecture and Event Capture System, described in more detail in the Estate and Information Technology sections. The Student Services centre in King's Gate continues to develop and enhance the service provided to students. Across all services, in 2010–11 there were 60,000 different face-to-face student enquiries. There were a further 22,000 telephone enquiries and 38,000 e-mail enquiries.

In response to student demands, the Robinson Library opened for 24 hours, five days per week, during the examination periods. This initiative proved to be very popular, and there were frequently over 300 people in the Library at midnight, and over 200 at 2am during these weeks. In June 2011, the Library received the Times Higher Leadership and Management Award for the year's Outstanding Library Team, in recognition of its innovative e-book service, and effective engagement activities with students.

We invested £2.5m on refurbishing the student accommodation stock. In response to student preference for *en suite* accommodation close to campus, 257 *en suite* rooms have been secured in a partnership agreement for September 2011 and we have secured planning permission to build 346 *en suite* units on campus.

Despite the difficult economic climate, there have been some signs of a recovery in terms of graduate vacancies, and the results of the 2010 Destination of Leavers of Higher Education survey have reflected well on the University's increased focus on employability. Our employment indicator of 94.3% (2009: 92.6%) ranked Newcastle 1st in the region, and 2nd out of the 20 Russell Group universities. Encouragingly, the proportion of our graduates in graduate-level jobs remained high at 77.7% (2009: 77.9%). The percentage of graduates working in the North East increased to 48.4% (2009 47.7%). We were ranked 15th for graduate prospects in the *Times Good University Guide 2012*, rising 14 places compared to the last edition. Numbers of graduates going on to further study decreased to 16.7% (2009: 18.0%), possibly a reflection of the slightly more buoyant graduate labour market in 2010.

The number of graduates in self-employment fell from 80 to 77 (37 of whom stayed in the North East), reversing the previously consistent upward trend over the last five years. It is possible that the adverse economic conditions may have discouraged some graduates from starting businesses, with employment or further study being preferred options. Government messages about recession being a good time to start a business did not really begin until this year, so may not have benefitted the 2010 graduate cohort.

Sport continued to enhance the student experience at Newcastle with 7,621 students taking out Sports Centre membership. In performance

sport our students were ranked 15th out of 158 institutions competing in the British Universities and Colleges Sport (BUCS) programme. They also retained the Stan Calvert Cup in the annual varsity sports day against Northumbria University. Campus sport saw over 6,000 student visits to our exercise classes and 2,150 students take part weekly in the seven sport intramural programme. Over 100 students were actively involved in volunteering through sport in local schools, sports clubs and the local community with a further 650 students involved in running the 58 Athletics Union sports clubs and 170 intramural teams.

## Engagement

We have defined engagement as the interaction of the University with the civil society to which it belongs. At its heart is the principle that engagement is an integral, embedded part of our teaching, research and service endeavours, rather than a separate, additional strand of activity.

Our objectives are to:

- attract top talent to settle in the North East
- develop and implement the concept of Newcastle Science City
- contribute our facilities and skills to support healthy growth of civic and regional culture
- use our global standing and intellectual capital to influence and inform national debate
- implement strategic partnership initiatives to address major global challenges relating especially to health, wellbeing and sustainable development

The government has announced that the regional development agencies will be closed. This includes One North East, which was one of our partners in Newcastle Science City alongside Newcastle City Council. As a result, we have consolidated our collaboration with Newcastle City Council, and are building relations with the new North Eastern Local Enterprise Partnership. Science City will change as a legal entity to a two-way partnership between the University and the City Council. Together we have purchased One North East's share of the Science Central land.

The vision for Newcastle Science City continues to be: to promote Newcastle as a city of science excellence; to create and support science and technology-based businesses; and to ensure the local community (especially young people) can get involved in the city's scientific achievement.

The science agenda, led by the University, focuses on three themes in three places:

- the challenge of healthy ageing at the Campus for Ageing and Vitality, on the site of the Newcastle General Hospital (which is being decommissioned). We have been building our scientific presence on this site over the past 10 years
- the scientific challenge of stem cells and regenerative medicine at the Centre for Life, of which we have leased the greater part for the next 15 years
- the challenge of sustainability with a focus on the Science Central site opposite St James' Park (still known by many as the Old Brewery site)

Newcastle City Council is minded to grant outline planning permission for the development of the jointly owned Science Central site and the multi-occupancy Campus for Ageing and Vitality, subject to agreeing legal conditions.

The Great North Museum continues to be an exceptionally important visitor attraction and welcomed over 500,000 visitors during 2010–11.

Student engagement in the community continues to flourish. Student Community Action Newcastle (SCAN) is a popular student organisation, which is a registered charity helping students become involved in the local community. Through the Career Development Module, students can also engage in many activities such as Students into Schools. This is a joint project with Northumbria

University through which up to 500 students each year act as positive role models working with young people in schools and community settings. Over 100 students were actively involved in volunteering through sport in local schools, sports clubs and the local community to raise the aspirations of those they work with whilst developing their own skill sets.

In 2011, our PARTNERS Programme (involving 113 schools and colleges) continued to work with students, building their confidence, enabling them to demonstrate their potential for success in higher education and supporting them through their application, entry and transition to the University. In addition, our portfolio of aspiration-raising and outreach activities is rich and varied. We are leading a new network of universities to embed the good work delivered through the Aimhigher programme, which ended in July 2011.

As part of the Angel Alliance we are working with Durham University and the Centre for Life to lead the Beacon North East, one of the six national pilot 'Beacons for Public Engagement'. Through the Beacon, we seek to enable more effective two-way knowledge exchange between researchers and people in wider society and to transform the culture within the partner universities such that participatory practices become central to their strategy.

## Sustainability

Newcastle is distinctive in bringing together diverse disciplines and operational work to achieve practical solutions and behavioural change, at university, local community and international levels, to shape global debate and create substantive technological solutions, using the city of Newcastle as a 'living laboratory'.

Our collaborative approach across operational, academic and civic working is a model of good practice reaping rewards across various environmental sustainability initiatives that are models for civic society as well as higher education.

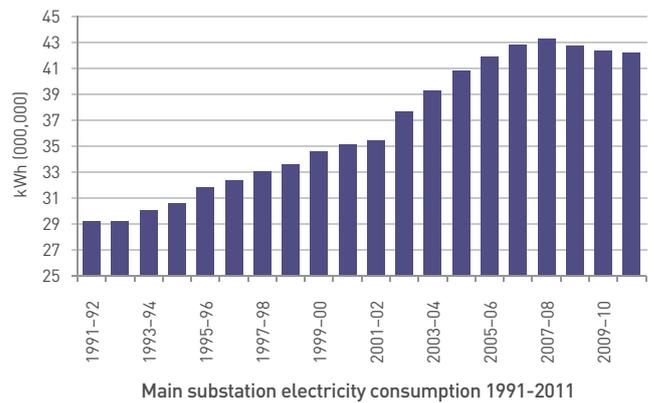
The City Council's Enviro Schools team works with University Sustainability Ambassadors on sustainable development education. We are developing a City Bee Strategy and supporting competitions to engage young people in climate change issues. We are testing electric vehicles and have located the Regional Unified Transport Monitoring Centre adjacent to our internationally recognised Transport Research team enabling joint working. We have also replaced some of our current fleet with zero emissions electric vehicles.

Operationally, the City Council and University share best practice; our recent SHE (Safety, Health and Environment) low-carbon conference focused on construction-related safety, health and environmental issues with speakers and delegates from five partner organisations, architects, consultants and contractors.

Working alongside academics and the City Council, our Estate Support Service and over 70 environmental co-ordinators are driving a range of environmental sustainable development initiatives, setting and exceeding demanding targets set in our Estate Strategy, Carbon Management Plan and Travel Plan. We are providing practical support and engagement opportunities to undergraduate and postgraduate students through work placements and internships on live sustainability projects.

We are achieving exceptional results in a challenging climate. Achievements in 2010–11 included zero waste to landfill, a furniture swap shop saving over £150k per annum and 50 tonnes per annum waste electronic goods recycled through a social enterprise at nil cost.

To illustrate this point, the following chart shows the trend in electricity consumption on our main campus. We have halted growth in our electricity use year on year, and from the peak in 2008, have now reduced consumption by over 2.5%. Since 2000, we have reduced energy consumption per member of staff and student by 18% during a period of growth in student numbers and turnover.

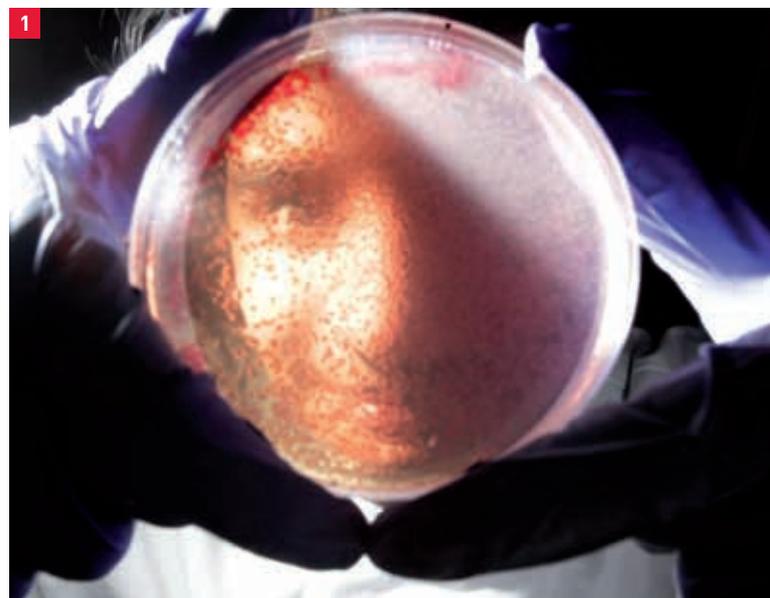


The boiler replacement programme has to date saved 1,600 tonnes of CO<sub>2</sub> per annum and 15% of gas and we have reduced non-residential water consumption per student by 37% since 2005–6. We continue to invest in initiatives to reduce our consumption of electricity; Salix schemes include corridor lighting renewal and air compressor upgrades that will deliver a recurrent saving of 650 tonnes of CO<sub>2</sub> per annum over the lifetime of the equipment. Smart meters have been installed throughout the campus and are providing data to enable us to work with building users in the development of energy management plans and reduce consumption.

Our new carbon management plan sets a major challenge in the medium term to reduce scope 1 and 2 CO<sub>2</sub> emissions by 43% (against a 2005–6 baseline) by 2020. Our priorities to 2020 include further improving our understanding of our carbon footprint, for example through monitoring and targeting, and using this understanding to prioritise investment in energy efficiency and conservation measures. Improved building-level data will inform our space management strategy. We will also improve our understanding of our scope 3 emissions, particularly in relation to the supply chain. An overarching priority is the continued development of a carbon reduction culture at the University.

Exemplar sustainable energy projects this year have included the installation of an Anaerobic Digester at Cockle Park Farm and the drilling of the Science Central borehole to bring hot water to the surface which could provide efficient and cheap energy on our Science Central site.

**1** A team of students have engineered a bacteria that will knit together cracks in concrete.



# Our Resources

## People

The University depends for its success on recruiting, retaining and developing high-calibre staff. Overall, full-time equivalent staff increased modestly from 4,541 at 31 July 2010 to 4,564 at 31 July 2011. Staff costs in 2010–11 were £204.3m, compared to £198.5m in 2009–10. We manage our staff costs to ensure they remain at approximately 55% of total income.

Pay awards for non-clinical staff were 0.4% in 2010 and the proposal for 2011 is an increase on all points of the common pay spine of £150, equivalent to an increase of ca 0.5%. This offer has not been accepted by any of the participating trade unions.

Industrial action during the year by the University and College Union (UCU), in the form of a one-day strike in pursuit of their disputes over the 2010 pay award and the changes to the Universities Superannuation Scheme (both still formally unresolved) had little impact on the conduct of the University's business.

Succession planning at senior level (professorial and equivalent) is well established as evidenced by school and faculty plans. The Leadership Succession Group meet annually to review all senior positions and further work is underway to extend the planning process to key positions and lower levels. Leadership development and succession continues to be recognised as best practice in the sector as evidenced by the Leadership Foundation Award for Lynne Howlett, our Leadership Development Manager. Work to implement and embed the Concordat on Career Development for Research Staff was recognised in 2010 when the University received the HR Excellence in Research Award.

The University's Single Equality Scheme was agreed by Council in December 2010 following an extensive consultation process and the action plan is being implemented. As part of this plan, there will be a full Equal Pay Review during 2011–12.

An area of rapid growth in resourcing has been our international teaching operations in Malaysia and Singapore. This has required the development of a policy framework and suitable employment packages. Both are being refined with the benefit of experience. There is still considerable work to do to ensure that staff based elsewhere in the world feel as much a part of the University as those in Newcastle.

Professors Timothy Griffiths, Martin Embley and Herbie Newell were elected as Fellows of the Academy of Medical Sciences in 2011. Drs Thomas Joyce and Robin Humphrey were awarded National Teaching Fellowships. Professor Peter Stone was awarded an OBE for services to heritage education.

## Financial resources

At 31 July 2011 the University held gross cash and short-term deposits totalling some £121.4m, the equivalent of four month's recurrent total expenditure. Balances remained stable during the year, reflecting the strong surplus and focused balance sheet management. These balances will decline in future years as the University fulfils its capital programme. Long-term debt, which relates solely to property, was £16.7m a decrease of £1m in the year relating to the repayments of fixed term loans which are due to be repaid by 2029.

Council confirms that it has reasonable expectation that the University has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the going concern basis for preparing the accounts.

## Estate

Our estate strategic objectives are to facilitate academic priorities and:

- improve the condition and fitness for purpose of our buildings
- implement the Coherent Campus initiative
- ensure effective utilisation of space and improve the net:gross space ratio
- deliver full life cycle value for money on all major projects

Our comprehensive and integrated approach to capital investment, maintenance and space utilisation led to Newcastle being selected as one of five exemplar institutions in the latest HEFCE Estate Management Statistics Report for showing the greatest improvement over the following key estate metrics between 2000 and 2010. Newcastle University won the 2011 Times Higher Outstanding Estates Team Award, based on 'the clear strategic focus of the team in rationalising and revitalising the estate, achieving some impressive results in space utilisation, carbon reduction, and condition and suitability along the way'.

Measure	2000–01	2009–10	2010–11	Target 2013	Peer Median 2009–10
Floor space in condition category A & B	74%	87%	88%	89%	81%
Floor space in functional suitability grade 1 & 2	34%	79%	80%	84%	87.5%
Net internal area per student FTE (m <sup>2</sup> )	17.0	11.7	11.0		11.5

Through investment over the past decade, we have addressed our legacy of backlog maintenance and inappropriate space. We have uplifted building condition above our peer median and continue to invest in functional suitability through new build and refurbishment as well as shedding the poorest space through divestment and demolition.

We have a net internal area of 218,000m<sup>2</sup> against our estate strategy target of 217,500m<sup>2</sup>. We believe that further efficiencies can be achieved in the use of space. For example, although 94% of our teaching rooms now have a functional suitability of grade 1 or 2 the frequency of use of all teaching rooms stayed at 49% against our 60% target.



1 Our impressive newly opened Business School premises.

Planned developments essential to our growth and progress will add 2,600m<sup>2</sup> to our UK floor area and 13,800m<sup>2</sup> in Malaysia in 2011. Renewed focus on space management is required to offset this and meet the challenge of carbon reduction. To offset new build, we have released 20,700m<sup>2</sup> gross internal area for alternative uses, disposal or demolition in the last three years. We propose to release a further 18,200m<sup>2</sup> by July 2013 through alternative use of Kensington and Park Terraces, selective demolitions, disposal of Claremont Place and Bruce Building and a potential sub-let of Citygate. Core space reduction through commercial lettings has increased ahead of target with over 15,000m<sup>2</sup> let to third parties.

We continue to invest in student services and facilities. This year has seen the completion of our new Newcastle University Business School Building, opposite St James' Park, which was in full use for the new cohort of students arriving in September. The Students' Union also completed a £8m refurbishment of their building funded by the University.

Our annual teaching and learning space programme included:

- transforming the 450-seat RB Green Lecture Theatre in the Dental School
- refurbishing and extending our Law School
- creating large teaching computing clusters in the Herschel and Stephenson Buildings
- refurbishing four teaching labs for mechanical and civil engineering and chemistry
- refurbishing our modern languages laboratory

Other lecture theatres and teaching and seminar rooms have been upgraded and quick-access computers installed in lobbies and student-facing areas.

Research-related projects have included a new Biomedical Research Centre building at the Campus for Ageing and Health; creation of new fibrosis research laboratories in the William Leech Building; refurbishment of bioscience facilities at the Centre for Life; and consolidation and refurbishment of the School of Biology.

This year our Coherent Campus initiative included landscaping work to the Students' Union courtyard and transforming part of King's Road into a pedestrian-priority shared surface with no through traffic. The City Council has improved Claremont Road with wider pavements and another pedestrian crossing as well as introducing extensive improvements to pedestrian connectivity to our newly opened Business School at Downing Plaza. 2011–12 will see the creation of a new space called the Student Forum, next to the Arches, by demolishing the now redundant building that housed the Museum of Antiquities (which is now part of the Great North Museum).

Other projects currently in progress include the first phase of refurbishment of the Armstrong Building, a campus-wide boiler replacement programme, refurbishment of laboratories for the Institute of Cellular Medicine, re-cladding of the Herschel Building, and a new Biomedical Research Centre. Our joint venture, INTO Newcastle, will complete its teaching centre and student residential development in summer 2012. Projects under development include refurbishment of the facilities for Fine Art in the King Edward VII Building, an extension to the Institute of Neuroscience, and creation of new student residences in Kensington and Park Terraces.

## Information technology

Information technology and services underpin the University's operations. For example, our website is by far the most important medium we use to communicate messages and information about the University, with over three million unique visitors in a year, with some four million files served per day.

During 2010–11 we reviewed the governance and organisational structure of Information Systems and Services (ISS), the centrally managed unit that delivers the University's core computing, campus network and business systems. This was intended to improve the focus on supporting teaching, learning and research, as well as continuing to deliver vital management support systems.

A dedicated Governance section within ISS has been created to take responsibility for all aspects of information security, data protection and freedom of information compliance. An education initiative has also been put in place to raise awareness of data protection requirements and security practices, such as encryption of end-user devices – essential to prevent data loss and protect the University's reputation.

The National Student Survey results for the ability to access IT were disappointing, with a significant decline to 82% of students expressing satisfaction compared to 88% in 2009. The University is addressing this by an investment in upgrading IT facilities and developing innovative, user-friendly, learning spaces. The University has also expanded popular applications such as ReCap, the lecture and event recording system, to 57 teaching venues across campus, with plans for further expansion. The increased availability and improved awareness of the benefits of the system have resulted in a growth in usage. ReCap made 3,872 recordings in 2010–11 (2009–10: 1,150), with more than 220,000 viewings (2009–10: 123,000).

The results of the International Student Barometer for technology provision were very encouraging this year: 95% of students are satisfied with computing services, placing Newcastle second in the Russell Group. Feedback from students has pointed to prioritising quick and easy access to PCs, e-mail and the Internet. In response, 29 Express PC workstations have been installed in seven main building foyers across campus, with an additional 17 installations currently underway. From October 2010 to July 2011 the quick-access PCs had received 36,229 logins from 9,340 unique users.

Innovative use of IT continues to improve the sustainability of our services and decreases their environmental impact. A continued programme of server virtualisation and changes in purchasing and operational practices allow IT to make a significant contribution to the green agenda.

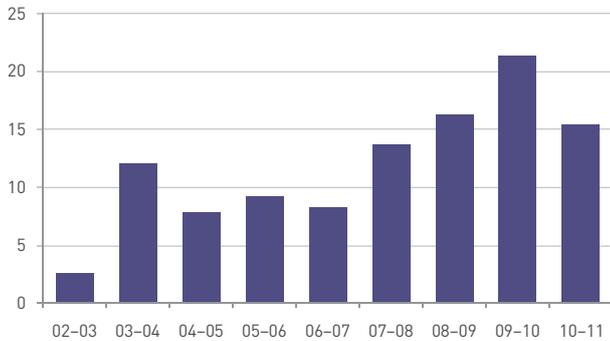


# Financial Review

## Introduction

The University recorded a total surplus of £15.4m, a reduction of £5.9m on the previous year. This is the ninth consecutive year of surplus for the University, which has helped to increase net cash balances from £18.2m at 31 July 2002 to £104.8m at 31 July 2011.

University Surplus (£m)



Net income grew by 3% from £372.5m to £382.2m with continued significant growth in international student fees. Total expenditure increased by 5% from £352.6m to £368.4m.

The 2010-11 results were impacted by the grant of £7.8m to Newcastle University Students' Union to enable them to refurbish their building. Unusually in the higher education sector, the Students' Union Building is held as an endowment asset by the Trustees of Newcastle University Students' Union rather than being owned by the University. Therefore the funding of the refurbishment is accounted for as a specific grant to the Students' Union in the University's income and expenditure account (and capitalised in the Students' Union accounts) rather than being treated as capital expenditure by the University. £0.2m was paid in 2009-10 and £7.8m in 2010-11 with a total grant of £8.0m. Excluding this one-off specific grant, the underlying increase in expenditure was 3% and the underlying surplus increased by 9%.

## Income

Net income grew by 3% on the previous year from £372.5m to £382.2m. Over the past five years, income has increased by 21% from £316.5m to £382.2m, an average growth of 5% per annum.

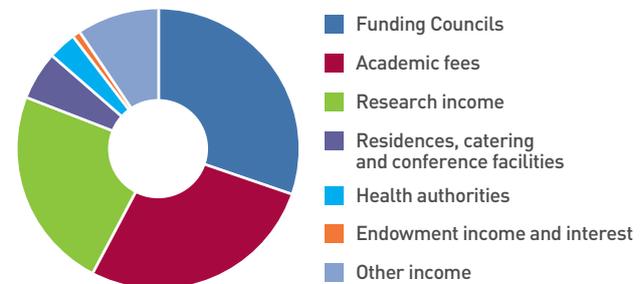
Funding Council grants reduced by 4% year on year, reflecting public expenditure cuts and, in particular, a significant reduction in capital funding from HEFCE. Funding Council grants, as a percentage of net income, declined from 32.4% to 30.4% and this figure is expected to reduce to circa 28% in 2011-12.

Academic fees from full-time home and EU students increased by £2.7m (6%), reflecting the final-year impact of the higher home tuition fees introduced for new students in 2006 and a small increase in student population resulting from HEFCE's University Modernisation Fund initiative. Income for overseas students taught in the UK increased by 21% from £36.0m to £43.6m and income from our overseas campuses increased from £1.2m to £2.4m.

Research income in 2010-11 was £88.5m, an increase of £3.3m (4%) on 2009-10. Research council income fell by £1.0m to £29.2m, with small rises from the Engineering and Physical Sciences Research Council and the Medical Research Council offset by reductions elsewhere. UK industrial and commercial income continued to grow (from £4.3m to £6.1m) and whilst there was a decline in charity and EU income, income from UK government sources increased by 5%, reversing the significant decline seen last year.

Other operating income declined by £1.3m (2%) with reductions in charges to the NHS and grants from One North East partly offset by higher student residences occupancy. Endowment income and interest increased from £1.9m to £3.1m, reflecting higher cash balances and an improvement in medium-term interest rates.

Key income streams are summarised below.



## Expenditure

Total expenditure increased by 5% from £352.6m to £368.4m. Excluding the one-off specific grant to the Students' Union, the underlying increase in expenditure was 3%.

Staff costs increased from £198.5m to £204.3m (3%) and represented 53% of total income (2009-10: 53%), in line with the University's financial strategy. Headcount increased by 0.5% during the year; most staff received a 0.4% pay increase in August 2010; changes to National Insurance contributions increased staff costs by £0.5m; and the full-year impact of the increase in USS employer contributions in October 2009 increased staff costs by £0.5m.

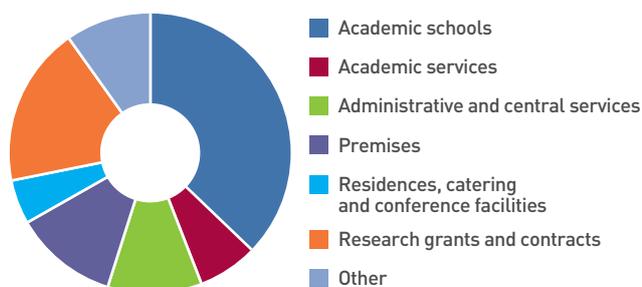
Other operating costs increased by 1% from £144.1m to £145.6m. Utility costs reduced by 8% (£0.7m) due to price reductions negotiated in 2010 and continued efforts to reduce consumption across the campus. This was offset by significant increases in student bursary payments (£1.0m), international agents' fees (£0.7m), the costs of electronic journals purchased by the Library (£0.3m) and increased estate maintenance activity.

1 New facilities for students in the refurbished Students' Union.



Depreciation increased by £1.3m from £8.3m, reflecting completion of the new Business School, and impairment of the balance sheet value of two buildings scheduled for demolition during the next 12 months. Interest payable reduced from £1.7m to £1.1m reflecting the reduction in the FRS17 charge to the income and expenditure account in relation to the Retirement Benefits Plan (RBP).

Key expenditure streams are summarised below.



## Pensions

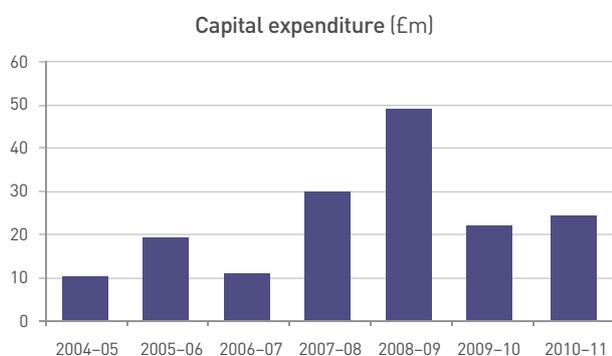
An actuarial gain of £14.4m was recognised in the Statement of Consolidated Total Recognised Gains and Losses in the year, as required by FRS17 (2009–10 £6.8m). This relates to the RBP, the local pension scheme for support staff, and the basis for the gain is fully documented in note 30 of the accounts.

The triennial valuation of the RBP at 1 August 2010 revealed a deficit of £7.2m relative to the technical provisions. The recovery plan agreed with the trustees included an increase in the employers' contribution rate of 1% to 13.25% from 1 August 2011. Following a statutory consultation exercise, the members' contribution rate was also increased by 0.5% to 6.75%.

Structural changes to the Universities Superannuation Scheme have been agreed that will be effective from 1 October 2011. These include an increase in the contribution rate for existing members from 6.35% to 7.5% and introduction of a new career average earnings section for new members.

## Balance sheet

University capital expenditure in the year was £24.9m, an increase of £2.2m on the previous year.



There were £23.3m of outstanding contracted capital commitments at 31 July 2011 (2010: £34.0m) with a further £21.6m authorised but not contracted (2010: £10.9m). We expect the lease for the Malaysian campus will be unconditionally executed during 2011–12, at which point it will be treated as a finance lease in the University's accounts adding ca £20m both to fixed assets and long-term liabilities. Although expenditure will fluctuate from year to year in line with construction timelines, we expect future capital expenditure to remain broadly at this level for the next few years. Our current financial plans forecast £35m of estates development work in 2011–12 and £71m in future years.

Net cash balances increased from £103.6m to £104.8m during the year, reflecting a continued strong surplus, robust management of working capital and the final year of funding from round one of the HEFCE Capital Investment Fund. Future capital funding from the HEFCE and other public sector funding bodies will be significantly lower, which means that cash balances will decline in future years as we increasingly fund the University's capital development programme from our own resources.

## Outlook

The University is nearing the end of a prolonged period of growth in student numbers and government funding. Consequently, we start from a sound base. We recorded a significant underlying surplus in 2010–11, we have one of the soundest liquidity positions in the sector and our strategy is firmly anchored by a cautious economic outlook.

The budget setting process for 2011–12 proved to be one of the most challenging budget builds for some years. This was expected following cuts in HEFCE funding, Research Council reaction to the Wakeham Report, the impact of ever-tightening border controls on overseas student recruitment, sharp increases in utility prices, and increasing student expectations on the quality of their experience at university. However, we are confident that we have a sound budget in place in line with our financial strategy.

A series of programmes is underway across the University to create financial headroom through growing profitable non-core income, improving procurement effectiveness and increasing the efficiency of our administrative processes. We do not at present plan compulsory redundancies beyond those occurring in the normal course of events.

The key objectives in our financial strategy are to:

- create capacity for strategic development by achieving an annual historic cost surplus of at least 2% of income, with a medium-term target of 4%
- deliver value for money in all our activities
- grow income faster than our peer group
- identify and exploit opportunities for new areas of profitable income
- maintain a robust balance sheet with sufficient cash reserves to meet our financial obligations
- provide enterprise resource planning services, which are top quartile in higher education and meet our legal and ethical obligations

Although short-term prospects are strong, the medium-term picture is one of considerable challenge to the University, but also one which presents significant opportunity. The new home undergraduate tuition fee of £9,000 per annum will provide financial headroom for the University to achieve its strategic objectives, even after allowing for potential losses in student recruitment and the very steep reduction in government capital funding. However, we also recognise a risk of further government action to constrain public borrowing as the sector as a whole moves to an average fee materially higher than £7,500 per annum.

# Managing Risk

In common with all organisations we are affected by a number of risk factors, not all of which are wholly within our control. Although some of the risk factors are macroeconomic and likely to affect the performance of the HE sector as a whole, others are particular to Newcastle University.

This section highlights some of the risks affecting us but it is not intended to be an extensive analysis of all risks affecting the University. Some risks may be unknown to us and other risks, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our income, expenditure, assets and liquidity adversely.

## Strategic risks

We have a defined University-wide risk management process for identifying, evaluating and managing the significant risks faced by the University. The risk factors below are all identified on Council's risk register and should be considered against the background of our risk management process.

### Student recruitment

We need to continue to attract high-calibre students from a wide range of backgrounds from home and overseas. Although both home and overseas recruitment is buoyant, the introduction of higher fees and the government's policy on immigration controls will produce challenges.

### Student experience

The changes to the system of higher education funding to be introduced from 2012 have required us to re-examine our approaches to monitoring and improving the student experience.

### Research

We are continuing to prepare for the Research Excellence Framework, which has replaced the Research Assessment Exercise as the main mechanism to judge the quality of our research performance and determine the allocation of research funds from HEFCE. We have policies and systems in place to secure research grants and deliver the necessary research outputs.

### Staff

We need to recruit, develop, retain and reward staff of an appropriate calibre in an appropriate manner to meet the needs of the University.

### Pensions

We need to ensure that the national pension scheme for academic and related staff, USS, and the local pension scheme for other staff, RBP, are appropriately funded to meet their long-term obligations. Increases in life expectancy and higher salary increases will place increasing strain on these funds.

### Financial viability

We need to ensure continued financial viability.

### Newcastle Science City

We need to develop Newcastle Science City in a way that is conducive to the academic development of the University and that is within our financial resources.

### Societal challenge themes

We need to gain institutional buy-in to the societal challenge themes concept and apply the skills of the University to work that improves society.

### Major projects

We need to ensure that major capital, commercial and research projects are effectively managed and produce the expected outcomes.

## Information

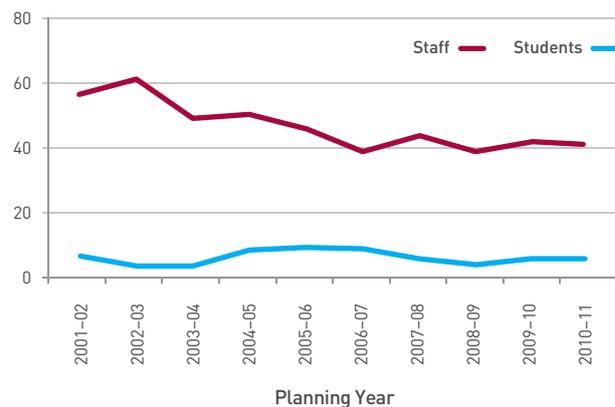
We need to have an appropriate information strategy and control of data and ensure we can respond effectively to a severe business disruption event.

## Health and safety

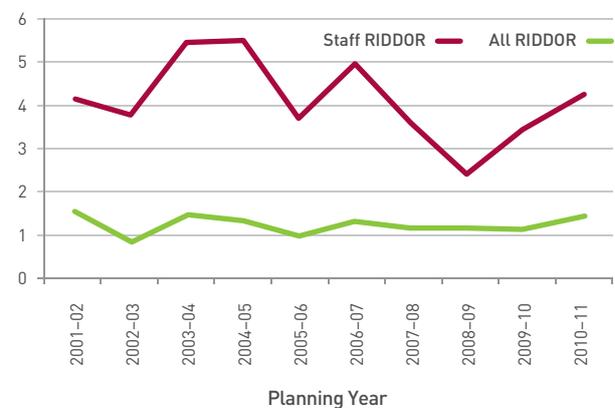
Council and Executive Board receive regular reports on performance relating to health and safety, which is the first agenda item at each meeting. An external audit was carried out in 2011 (and previously in 2009) using the Health and Safety Management Profile (HSMAP) audit tool. The focus was on risk assessment in practice, and evaluation of safety management by senior/middle managers. The results of the audit and subsequent action plans are reported to Executive Board and Council.

Despite increasing focus on safety across the University, the level of staff accident rates reported under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR) increased during 2010-11. Incidents due to manual handling have seen a significant and sustained reduction following an awareness campaign and increased training. Accidents resulting from slips, trips and falls have not reduced. Additional analysis and investigation is planned to identify root causes and suitable actions.

Reported Accident Rates (per 1,000 at risk)



RIDDOR Accident Rates (per 1,000 at risk)



As part of our commitment to employee wellbeing, the University continues to promote healthier lifestyles and is an active member of the regional 'Better Health at Work' initiative. Sickness absence rates for the University as a whole are in line with the HE sector average. The rate varies across staff groups with operational staff being of most concern at a rate of 6.9% (a 0.5% reduction on the previous year). Significant efforts are being made to continue to manage absence more actively in this area.

## Treasury

At 31 July 2011, the University had £91.0m short-term cash investments (2010: £83.0m). The level of deposits fluctuates throughout the year with materially higher cash balances between September and December due to the timing of tuition fees and HEFCE grants. This volatility is likely to increase in the new fees and funding regime as we become more dependent on receipts from the Student Loan Company. Although this may create short-term liquidity issues for some universities, there will not be a material impact for Newcastle although it will restrict our flexibility on optimising investment returns. Our investments are controlled by our counterparty policy, which is agreed by Finance Committee with advice from brokers. We only place our money with secure UK banks and building societies. A wide portfolio of banks is chosen to spread risk, although events in 2007 and 2008 led us to focus on a smaller number of more secure banks. We regularly review our investments and take rapid action if we believe there is any deterioration in risk. Our policy was agreed in full recognition that we may reduce potential interest income to mitigate the high level of risk in the financial services sector.

At 31 July 2011, the University had £41.9m of endowments (2010: £36.9m). Endowments are primarily invested in UK equities. The University uses Majedie, London-based brokers, who consistently outperform the market, and Black Rock to manage its investments. Finance Committee meets formally with Majedie once a year and the Executive Director of Finance meets quarterly with them to review progress. In addition, we receive monthly performance reports.



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1 University staff and students welcome new international students at Newcastle Airport.

2 The University bistro.

3 Students using King's Gate student services building.

# Corporate Governance

Newcastle University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to universities from the Committee of University Chairs in its Guide for Members of Higher Education Governing Bodies in the UK.

The University is an independent corporation whose legal status derives from the Universities of Durham and Newcastle upon Tyne Act 1963, which, with its supporting Statutes and schedules, sets out the University's objectives, powers and framework of governance.

The Privy Council approved a wide range of changes to our statutes in March 2011. The general intention is to simplify and clarify the lines of responsibility. These changes included modifications to the powers of Council and Senate and the provision for a modest reduction in the size of both. The principle of a lay majority for Council has been preserved and the principle of an elected majority for Senate has been introduced.

The so-called 'model' statute governing employment-related matters for academic staff has been replaced. New procedures (discipline, grievance, redundancy and capability), jointly agreed with the trade unions, will enable the University to update procedures in line with employment legislation in a timely manner. It also means that managers and staff are dealing with single procedures for all staff categories, a significant improvement on the previous situation. Our commitment to academic freedom has been strengthened as proposed by the local branch of the UCU.

The Statutes require the University to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

## Court

Court is not part of the University's day-to-day decision-making processes but plays an important and influential role on behalf of the University's stakeholders. Its membership is representative of the University, the local community and other organisations with an interest in the work of the University. It meets twice a year to receive a report from the Vice-Chancellor and to discuss any matters relevant to the interests and well-being of the University.

## Senate

Senate is the academic authority of the University and draws its membership predominantly from the academic staff and the students of the institution. Its role is to direct and regulate the teaching and research work of the University.

## Council

Council is the supreme governing body, responsible for the finance, property, investments and general business of the University, and for setting the general strategic direction of the institution. It is also responsible for the University's system of internal control and for reviewing its effectiveness, including the appropriateness of its arrangements for risk management and value for money. It keeps under regular review the performance of the University and makes use of key performance indicators to assist in this task. A statement of Council's primary responsibilities is provided below. Council undertakes annual reviews of its effectiveness.

It has a majority of members from outside the University (lay members) including up to four lay officers. Members also include representatives of the staff of the University and the student body. None of the lay members receive any payment, apart from reimbursed expenses, for the work they do for the University. Council normally meets six times each academic year.

Much of the detailed work is routed through Committees of Council, particularly the following:

- **Audit Committee**, comprising lay members only, which meets five times each year with the University's internal auditors (and, where relevant, external auditors) in attendance. The Committee reviews the effectiveness of internal control systems by considering detailed reports together with recommendations for improvement, management responses and implementation plans. As part of its annual opinion it also gives assurance about the management and quality of data to HEFCE, HESA and other public bodies.
- **Nominations Committee**, which makes recommendations to Council in respect of the appointment of lay members of Council, the offices of Chair and Deputy Chair of Council, Honorary Treasurer and members of the Committees of Council.
- **Remuneration Committee**, which considers the remuneration and terms and conditions of senior members of staff.
- **Finance Committee**, which considers and recommends to Council the financial strategy for the University and advises on investments, determines the level of funding to be made available to support the annual budget allocations, approves the accounting policies and considers the financial statements. It also has overall responsibility for ensuring the appropriate management of taxation within the University.
- **Executive Board**, a joint committee of Council and Senate, which keeps under review the University's strategy and makes recommendations on the development of the strategy to Senate and Council. It develops and regularly reviews the University's business plan, assesses the risks related to the delivery of the plan, and ensures that appropriate measures are in place to assure the financial sustainability of the University's activities. Executive Board reports on these matters regularly to Council. Through the monitoring undertaken by its Financial Monitoring and Budget Scrutiny Group and Budget Setting Group, Executive Board is also responsible for the use of resources and financial performance of all budgetary units. It has particular responsibility for value for money.

These committees, and in some cases others, are formally constituted as Committees of Council with written terms of reference and specified membership, including a significant proportion of lay members. The decisions of these committees are reported to Council and, where relevant, Senate.

The principal academic and administrative officer of the University is the Vice-Chancellor, who has general responsibility for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England (HEFCE), the Vice-Chancellor is the accountable officer of the University. In that capacity he and the Chair of Council can be summoned to appear before the Public Accounts Committee of the House of Commons. The Vice-Chancellor is also responsible for assuring the quality and accuracy of University data provided to HEFCE, HESA and other public bodies.

As Chief Executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The Pro-Vice-Chancellors and senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with Council.

The Registrar acts as Secretary of Council and Senate. Any enquiries about the constitution and governance of the University should be addressed to the Registrar. The University maintains a Register of Interests of members of Council and senior officers, which may be consulted by arrangement with the Registrar.

### **Council: Statement of Primary Responsibilities**

Council is the supreme governing body of the University, subject to the provisions of the University's Statutes. The primary responsibilities of Council are as follows:

#### **General**

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

- to conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life embracing selflessness, integrity, objectivity, accountability, openness, honesty and leadership
- to ensure procedures are in place for handling internal grievances, whistle-blowing and for managing conflicts of interest

#### **Finance**

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

#### **Employment**

- to appoint, in accordance with the relevant Statutes
  - the vice-chancellor and to put in place suitable arrangements for monitoring his/her performance
  - a registrar, who is also secretary to Council, ensuring that there is an appropriate separation in the lines of accountability
  - a deputy vice-chancellor
  - one or more pro-vice-chancellors
 and in each case to determine the conditions of appointment
- to be the employing authority for all staff in the University. This includes ultimate responsibility for
  - approving the human resources strategy
  - determining the conditions of appointment of the staff of the University, after consultation with Senate when required
  - the welfare of University staff
  - establishing, suspending or abolishing any post in the University, except those posts specifically created by the Statutes, after consultation with Senate
  - appointing members of staff of the University, on the recommendation of Senate when required

## Compliance

- to be the University's legal authority and, as such, to ensure that systems are in place for meeting all of its legal obligations, including those which relate to health and safety and equal opportunities and which arise from contracts and other legal commitments made in its name
- to ensure that the University complies with any wishes attached to any property, legacy, endowment, bequest or gift in support of the work and welfare of the University
- to ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen

## Responsibilities of Council in the Preparation of the Financial Statements

In accordance with the University's Statutes, Council is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

Council is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the University's Statutes, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the University, Council, through its accountable officer, is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has ensured that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis

Council has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the 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 and expenditure

## Statement on Internal Control

Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible. This is in accordance with the responsibilities assigned to the governing body in the Universities of Durham and Newcastle upon Tyne Act 1963 and the Financial Memorandum with HEFCE. It is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance against material misstatement or loss.

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

- clear definitions of, and the authority delegated to, heads of academic units and heads of administrative services
- a comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- clearly defined and formalised requirements for approval and control of expenditure
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance Committee
- key performance and risk indicators, which are monitored by the senior management team (through Executive Board) on a regular basis. Appropriate action is taken to address performance issues and the outcome reported to Council
- an ongoing process designed to identify the principal risks (whether business, operational, compliance or financial) to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The reporting method uses a system whereby risks are ranked in terms of likelihood and impact and are reviewed and periodically reported to Council to assure it that procedures are in place for the identified risks to be managed

Council is of the view that the University's process for identifying, evaluating and managing its significant risks is embedded into ongoing operations and has been in place for the year ended 31 July 2011 and up to the date of the approval of the financial statements.

The system of internal control is regularly reviewed by Council and accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education. It is informed also by a professional Internal Audit team, which works to standards defined in the HEFCE Audit Code of Practice and which is reviewed for effectiveness by HEFCE's Assurance Service. Senior management and Audit Committee have also reviewed the performance of Internal Audit and are satisfied with it.

The Internal Audit annual plan is approved by the Audit Committee and endorsed by Council. The senior management team and Audit Committee receive regular internal audit reports, which include recommendations for improvement. Internal Audit provide an annual report to Council, which includes an opinion on the adequacy and effectiveness of the University's system of internal control, including risk management, corporate governance, and value for money.

# Independent Auditors' Report to the Council of the University of Newcastle upon Tyne

We have audited the group and parent institution financial statements (the 'financial statements') of the University of Newcastle upon Tyne (the 'University') for the year ended 31 July 2011 which comprise the Accounting Policies, the Consolidated Income and Expenditure Account, the Statement of Consolidated Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of directors and auditors

As explained more fully in the Responsibilities of Council in the Preparation of the Financial Statements disclosure set out on page 22 the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with paragraph 15 of the Charters and Statutes of the University and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education

## Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation, and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them

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

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

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

## PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors Newcastle upon Tyne

The maintenance and integrity of the University of Newcastle upon Tyne's 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 FRS18 these accounting policies have been reviewed by Council and are considered appropriate to the University's activities.

## 1. Basis of Preparation

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

## 2. Basis of Accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of endowment asset investments.

## 3. Basis of Consolidation

The consolidated financial statements consolidate the results of the University and all subsidiary undertakings for the financial year to 31 July 2011. Uniform group accounting policies have been applied.

Details of the University's subsidiary and associated undertakings, investment in joint ventures and other investments are provided in notes 12 and 13 to the financial statements. Associated undertakings and joint ventures are accounted for in accordance with FRS9.

The consolidated income and expenditure account includes the University's share of the profits or losses and tax of associated undertakings and the consolidated balance sheet includes the investment in associated undertakings at the University's share of their underlying net assets. Associated undertakings are those in which the University has a participating interest and a significant influence over their commercial and financial policy decisions.

The consolidated financial statements do not include the results of Newcastle University Students' Union as it is a separate company limited by guarantee in which the University has no financial interest and no control or significant influence over its policy decisions.

The University Development Trust is a special trust of the University but it is separately registered and accounted for. It has not been consolidated as it has a separate Trustee Board which manages the funds independently of the University. The total assets of the University Development Trust at its year ended 31 July 2011 were £41.3m. Its investment income for the period to that date was £0.9m.

## 4. Recognition of Income

Income from research grants and contracts is included to the extent of the related expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

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

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

related expenditure during the year. Permanent endowments are managed on a total return basis. The entire investment return is included in the income and expenditure account to the extent of the related expenditure during the year.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

Non-recurrent grants from the Funding Councils or other bodies receivable in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

The University acts as an agent in the collection and payment of training bursaries from the Training and Development Agency for Schools and of Access Funds from the Higher Education Funding Council for England. Related payments received from the Training and Development Agency for Schools and the Higher Education Funding Council for England and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in notes 28 and 29 to the accounts.

## 5. Maintenance of Premises

The University has a rolling long-term maintenance plan which is reviewed periodically and forms the basis of the ongoing maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to the income and expenditure account as incurred.

## 6. Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## 7. Leases

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Costs under operating leases are charged on a straight-line basis over the lease term.

## 8. Tangible Fixed Assets

### a. Land and Buildings

Land and buildings are stated at cost. Freehold land is not depreciated. Buildings are depreciated over their expected useful lives to the University of 50 years, and leasehold land over the life of the lease. Major refurbishments are depreciated over their expected useful lives to the University of 25 years.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

Costs incurred in relation to a fixed asset, after its initial purchase or production, have been capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

#### b. Equipment

Equipment costing less than £20,000 per individual item or group of related items and all software costs are written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life, as follows:

Research vessel – 25 years

General equipment – 4 years

Equipment acquired for specific research projects – project life (generally 3 years)

Leased equipment – period of lease

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is credited to a deferred capital grant account and released to the income and expenditure account over the expected useful life of the related equipment or the period of the grant in respect of specific research projects.

#### c. Heritage Assets

Where material, Heritage Assets purchased on or after 1 August 2007 are measured and recognised at their cost. Where reliable cost or valuation information is available assets acquired prior to 1 August 2007 are included in fixed assets.

#### 9. Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost, less any provision for impairment in their value.

Endowment asset investments are included in the balance sheet at market value. The asset value is represented by endowment reserves which is separated into permanent and expendable. Notes to the accounts further analyse the endowments into the capital element and unapplied return.

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

#### 10. Stocks

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

#### 11. Provisions

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### 12. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the

University of Newcastle upon Tyne Retirement Benefits Plan (1971) (RBP) which is an Exempt Approved Scheme under the Finance Act 1970. The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). The funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes.

A small number of staff remain in other pension schemes.

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

The RBP scheme's assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on AA corporate bonds. The post-retirement benefit surplus or deficit is included on the University's balance sheet, net of the related amount of deferred tax. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the scheme. The current service cost and any past service costs are included in the income and expenditure account within staff costs and the expected return on the scheme's assets, net of the impact of the unwinding of the discount on scheme liabilities is included within interest receivable / payable. Actuarial gains and losses, including differences between the expected and actual return on scheme assets are recognised, net of the related deferred tax, in the statement of total recognised gains and losses.

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

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

#### 14. Cash Flow and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

# Consolidated Income and Expenditure Account

for the year ended 31 July 2011

	Note	2011 £m	2010 £m
<b>INCOME</b>			
Funding Council grants	1	116.2	120.8
Academic fees and support grants	2	104.7	92.8
Research grants and contracts	3	88.5	85.2
Other operating income (including share of joint venture)	4	75.8	77.1
Endowment income and interest receivable	5	3.1	1.9
Total income		388.3	377.8
Less: share of income from joint venture	13	(6.1)	(5.3)
Net income		382.2	372.5
<b>EXPENDITURE</b>			
Staff costs	6	204.3	198.5
Other operating expenses	7	145.6	143.9
Grant to Students' Union	9	7.8	0.2
Depreciation	11	9.6	8.3
Interest payable	8	1.1	1.7
Total expenditure	9	368.4	352.6
Surplus after depreciation of fixed assets at cost and before tax		13.8	19.9
Share of operating profit in joint venture	13	1.0	0.5
Operating surplus		14.8	20.4
Taxation	10	–	–
Surplus after depreciation of fixed assets at cost and tax		14.8	20.4
Deficit for the year transferred to endowment funds	19	(0.6)	(0.9)
Surplus for the year retained within general reserves	20	15.4	21.3

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

## Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2011

	Note	2011 £m	2010 £m
Surplus after depreciation of fixed assets at cost and tax		14.8	20.4
Appreciation of endowment asset investments	19	4.9	4.4
Net endowments	19	0.7	1.1
Actuarial gain relating to the pension scheme	30	14.4	6.8
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		34.8	32.7
Reconciliation:			
Opening reserves and endowments		142.5	109.8
Total recognised gains for the year		34.8	32.7
Closing reserves and endowments		177.3	142.5

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

# Balance Sheets

as at 31 July 2011

	Note	CONSOLIDATED		UNIVERSITY	
		2011 £m	2010 £m	2011 £m	2010 £m
<b>FIXED ASSETS</b>					
Tangible assets	11	236.5	221.3	235.9	221.3
Investments	12	0.1	0.1	1.2	0.1
Investment assets – Joint venture	13				
Share of gross assets		6.4	4.1	–	–
Share of gross liabilities		(5.3)	(4.0)	–	–
		<u>237.7</u>	<u>221.5</u>	<u>237.1</u>	<u>221.4</u>
<b>ENDOWMENT ASSET INVESTMENTS</b>	14	<u>41.9</u>	<u>36.9</u>	<u>41.9</u>	<u>36.9</u>
<b>CURRENT ASSETS</b>					
Stocks and stores in hand		0.1	0.1	0.1	0.1
Debtors	15	34.7	32.1	36.6	33.2
Investments		91.0	83.0	91.0	83.0
Cash at bank and in hand		30.4	38.1	27.9	36.6
		<u>156.2</u>	<u>153.3</u>	<u>155.6</u>	<u>152.9</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	<u>(90.9)</u>	<u>(87.1)</u>	<u>(90.5)</u>	<u>(87.0)</u>
<b>NET CURRENT ASSETS</b>		<u>65.3</u>	<u>66.2</u>	<u>65.1</u>	<u>65.9</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>344.9</u>	<u>324.6</u>	<u>344.1</u>	<u>324.2</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17	<u>(16.7)</u>	<u>(17.7)</u>	<u>(16.7)</u>	<u>(17.7)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>328.2</u>	<u>306.9</u>	<u>327.4</u>	<u>306.5</u>
<b>PENSION LIABILITY</b>	30	<u>(14.7)</u>	<u>(28.9)</u>	<u>(14.7)</u>	<u>(28.9)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>313.5</u>	<u>278.0</u>	<u>312.7</u>	<u>277.6</u>
<b>DEFERRED CAPITAL GRANTS</b>	18	136.1	135.4	136.1	135.4
<b>ENDOWMENTS</b>					
Permanent	19	30.7	27.1	30.7	27.1
Expendable	19	11.2	9.8	11.2	9.8
		<u>41.9</u>	<u>36.9</u>	<u>41.9</u>	<u>36.9</u>
<b>RESERVES</b>					
General reserve excluding pension liability		150.1	134.5	149.4	134.2
Pension liability		(14.7)	(28.9)	(14.7)	(28.9)
General reserve including pension liability	20	<u>135.4</u>	<u>105.6</u>	<u>134.7</u>	<u>105.3</u>
<b>MINORITY INTEREST</b>		<u>0.1</u>	<u>0.1</u>	<u>–</u>	<u>–</u>
<b>TOTAL FUNDS</b>		<u>313.5</u>	<u>278.0</u>	<u>312.7</u>	<u>277.6</u>

The financial statements on pages 24–44 were approved by Council on 24 October 2011 and signed on its behalf by:

C H BRINK, Vice-Chancellor

P M JOHNSON, Treasurer

R C DALE, Executive Director of Finance

# Consolidated Cash Flow Statement

for the year ended 31 July 2011

	Note	2011 £m	2010 £m
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	21	17.9	30.7
Returns on investments and servicing of finance	22	1.1	0.6
Taxation		-	-
Capital expenditure and financial investment	23	(17.8)	4.0
Cash inflow before use of liquid resources and financing		<u>1.2</u>	<u>35.3</u>
Management of liquid resources			
– cash increase in short-term deposits		(8.0)	(12.0)
Financing	24	(1.0)	(1.0)
(Decrease) / increase in cash in the period		<u>(7.8)</u>	<u>22.3</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
(Decrease) / increase in cash in the period		(7.8)	22.3
Increase in short-term deposits		8.0	12.0
Repayment of debt		1.0	1.0
Movement in net funds in the period		<u>1.2</u>	<u>35.3</u>
Net funds at 1 August		103.6	68.3
Net funds at 31 July	25	<u>104.8</u>	<u>103.6</u>

# Notes to the Accounts

<b>1 FUNDING COUNCIL GRANTS</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
HEFCE recurrent grant	99.1	102.2
HEFCE specific grants	12.2	14.2
HEFCE deferred capital grants released in year		
– Buildings	2.5	2.1
– Equipment	0.9	0.7
TDA recurrent grant	1.3	1.4
TDA specific grant	0.2	0.2
	<u>116.2</u>	<u>120.8</u>
<b>2 ACADEMIC FEES AND SUPPORT GRANTS</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Full-time students	49.0	46.3
Full-time students charged overseas fees	46.0	37.2
Part-time fees	3.3	3.0
Research training support grants	4.3	4.7
Short courses	2.1	1.6
	<u>104.7</u>	<u>92.8</u>
<b>3 RESEARCH GRANTS AND CONTRACTS</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Research Councils	29.2	30.2
UK-based charities	22.4	22.5
European Commission	9.0	9.9
Other grants and contracts	27.9	22.6
	<u>88.5</u>	<u>85.2</u>
<b>4 OTHER OPERATING INCOME</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Residences, catering and conferences	20.8	20.3
Other services rendered	12.0	11.5
Health authorities	12.8	13.3
Other income	30.2	32.0
	<u>75.8</u>	<u>77.1</u>
<b>5 ENDOWMENT INCOME AND INTEREST RECEIVABLE</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Income from permanent endowments (note 19)	0.8	0.8
Income from expendable endowments (note 19)	0.3	0.2
Pension finance interest	0.1	–
Other interest receivable	1.9	0.9
	<u>3.1</u>	<u>1.9</u>

## Notes to the Accounts (continued)

<b>6 STAFF</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
<b>STAFF COSTS</b>		
Wages and salaries	160.4	156.2
Social security costs	13.5	13.0
Other pension costs	30.4	29.3
	<u>204.3</u>	<u>198.5</u>

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Emoluments of the Vice-Chancellor:		
Salary	199.5	195.3
Pension contributions	47.1	45.4
	<u>246.6</u>	<u>240.7</u>
Benefits in kind	6.7	9.0
	<u>253.3</u>	<u>249.7</u>

<b>STAFF NUMBERS</b>	<b>2011</b>	<b>2010</b>
	<b>Average FTEs</b>	<b>Average FTEs</b>
Academic	1,166	1,127
Support	2,525	2,495
Research	862	865
	<u>4,553</u>	<u>4,487</u>

	<b>2011</b>	<b>2010</b>
	<b>Number</b>	<b>Number</b>
Remuneration of higher paid staff, excluding employer's pension contributions (clinical staff numbers in brackets):		
£100,000–£109,999	22 (17)	18 (12)
£110,000–£119,999	13 (7)	11 (6)
£120,000–£129,999	17 (10)	14 (9)
£130,000–£139,999	13 (9)	8 (8)
£140,000–£149,999	8 (8)	11 (10)
£150,000–£159,999	10 (9)	12 (10)
£160,000–£169,999	11 (9)	5 (5)
£170,000–£179,999	4 (4)	7 (7)
£180,000–£189,999	5 (5)	4 (4)
£190,000–£199,999	3 (3)	6 (6)
£200,000–£209,999	7 (7)	3 (3)
£210,000–£219,999	2 (2)	2 (2)

<b>7 OTHER OPERATING EXPENSES</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Building maintenance and renewals	17.7	15.7
Student-related expenditure	25.2	22.8
Consumables and laboratory expenditure	17.2	17.3
Staff-related expenditure	18.5	16.8
Non-capitalised equipment purchases and maintenance	14.3	16.0
Heat, light, water and power	7.8	8.5
Residences, catering and conference operating expenses	8.6	8.9
Professional fees	6.4	5.5
Books and periodicals	5.2	5.1
Students' Union annual subvention	1.3	1.3
Fixed asset impairment	–	1.4
Other expenses	23.4	24.6
	<u>145.6</u>	<u>143.9</u>

Professional services include auditors' remuneration in respect of audit services for the Group of £98,501 (2010: £83,543) and for the University of £53,588 (2010: £50,225). In respect of non-audit services (mainly grant certification work) remuneration amounted to £58,812 (2010: £48,966) for the Group and University.

<b>8 INTEREST PAYABLE</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
On loans not wholly repayable within five years	1.1	1.1
Pension finance interest	–	0.6
	<u>1.1</u>	<u>1.7</u>

#### **9 ANALYSIS OF 2010–11 EXPENDITURE BY ACTIVITY**

	<b>Staff Costs £m</b>	<b>Other Operating Expenses £m</b>	<b>Grant to Students' Union £m</b>	<b>Depreciation £m</b>	<b>Interest Payable £m</b>	<b>Total £m</b>
Academic schools	109.7	32.0	–	1.0	–	142.7
Academic services	10.8	13.8	–	–	–	24.6
Administration and central services	21.5	18.3	–	0.1	–	39.9
Premises	8.7	27.7	–	5.5	0.3	42.2
Residences, catering and conferences	6.3	10.1	–	0.7	0.8	17.9
Research grants and contracts	37.1	28.8	–	1.1	–	67.0
Other expenditure	10.2	14.9	7.8	1.2	–	34.1
Total per income and expenditure account	<u>204.3</u>	<u>145.6</u>	<u>7.8</u>	<u>9.6</u>	<u>1.1</u>	<u>368.4</u>

The depreciation charge has been funded by:

Deferred capital grants released	5.8
General income	3.8
	<u>9.6</u>

Administration and central services includes £4.8m (2010: £3.7m) in respect of undergraduate bursaries.

The grant to Newcastle University Students' Union of £7.8m is for the refurbishment of their building which is held as an endowment asset by the Trustees of Newcastle University Students' Union. The funding is therefore recorded as a specific grant rather than capital expenditure in the University's financial statements.

<b>10 TAXATION</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
United Kingdom corporation tax at 20.7% (2010: 21%)	–	–
	<u>–</u>	<u>–</u>

# Notes to the Accounts (continued)

## 11 TANGIBLE ASSETS

## CONSOLIDATED

	Land and Buildings			Assets under Construction	Leased Equipment	Equipment	Total
	Freehold	Leasehold	Short				
	£m	£m	£m	£m	£m	£m	£m
<b>COST</b>							
Balance at 1 August 2010	151.2	92.9	3.7	17.2	57.1	1.4	323.5
Additions	1.8	6.4	-	13.1	3.6	-	24.9
Disposals	(0.1)	-	-	-	(0.7)	-	(0.8)
Balance at 31 July 2011	<u>152.9</u>	<u>99.3</u>	<u>3.7</u>	<u>30.3</u>	<u>60.0</u>	<u>1.4</u>	<u>347.6</u>
<b>DEPRECIATION</b>							
Balance at 1 August 2010	25.1	20.5	2.8	-	52.4	1.4	102.2
Charge for year	3.7	2.1	0.3	-	3.5	-	9.6
Eliminated on disposals	-	-	-	-	(0.7)	-	(0.7)
Balance at 31 July 2011	<u>28.8</u>	<u>22.6</u>	<u>3.1</u>	<u>-</u>	<u>55.2</u>	<u>1.4</u>	<u>111.1</u>
<b>NET BOOK VALUE</b>							
At 31 July 2011	<u>124.1</u>	<u>76.7</u>	<u>0.6</u>	<u>30.3</u>	<u>4.8</u>	<u>-</u>	<u>236.5</u>
At 1 August 2010	<u>126.1</u>	<u>72.4</u>	<u>0.9</u>	<u>17.2</u>	<u>4.7</u>	<u>-</u>	<u>221.3</u>
Financed by Funding Council capital grants	29.6	57.5	-	9.4	0.7	-	97.2
Other	94.5	19.2	0.6	20.9	4.1	-	139.3
	<u>124.1</u>	<u>76.7</u>	<u>0.6</u>	<u>30.3</u>	<u>4.8</u>	<u>-</u>	<u>236.5</u>

## 11 TANGIBLE ASSETS (continued)

## UNIVERSITY

	Land and Buildings			Assets under Construction	Leased Equipment	Equipment	Total
	Freehold	Leasehold	Short				
	£m	£m	£m	£m	£m	£m	£m
<b>COST</b>							
Balance at 1 August 2010	151.2	92.9	3.7	17.2	57.1	1.4	323.5
Additions	1.8	6.4	-	13.1	2.8	-	24.1
Disposals	(0.1)	-	-	-	(0.7)	-	(0.8)
Balance at 31 July 2011	152.9	99.3	3.7	30.3	59.2	1.4	346.8
<b>DEPRECIATION</b>							
Balance at 1 August 2010	25.1	20.5	2.8	-	52.4	1.4	102.2
Charge for year	3.7	2.1	0.3	-	3.3	-	9.4
Eliminated on disposals	-	-	-	-	(0.7)	-	(0.7)
Balance at 31 July 2011	28.8	22.6	3.1	-	55.0	1.4	110.9
<b>NET BOOK VALUE</b>							
At 31 July 2011	124.1	76.7	0.6	30.3	4.2	-	235.9
At 1 August 2010	126.1	72.4	0.9	17.2	4.7	-	221.3
Financed by Funding Council capital grants	29.6	57.5	-	9.4	0.7	-	97.2
Other	94.5	19.2	0.6	20.9	3.5	-	138.7
	124.1	76.7	0.6	30.3	4.2	-	235.9

The University holds a number of collections, exhibits and artefacts, most of which have been donated or bequeathed to the University. These assets are not considered Heritage Assets as defined in the SORP and therefore have no value attributed to them in the financial statements.

## Notes to the Accounts (continued)

### 12 FIXED ASSET INVESTMENTS

	CONSOLIDATED		UNIVERSITY	
	2011	2010	2011	2010
	£m	£m	£m	£m
Shares in subsidiary undertakings at cost less amounts written off	–	–	1.1	–
Participating interest at cost less amounts written off	–	–	–	–
Other investments other than loans at cost	0.1	0.1	0.1	0.1
Total fixed asset investments	<u>0.1</u>	<u>0.1</u>	<u>1.2</u>	<u>0.1</u>

### SHARES IN SUBSIDIARY UNDERTAKINGS

Details of the companies, all registered in England and Wales (unless otherwise stated), in which Newcastle University holds an interest are as follows:

Name of Company	Percentage Holding of Ordinary Shares	Nature of Business
Newcastle University Holdings Limited	100	Operates as a holding company only.
Newcastle University Ventures Limited	100	Provides support for the commercial development of research and consultancy.
University of Newcastle upon Tyne Supply Company Limited	100	Leases assets to the University.
Newcastle University Pension Trustee (1971) Limited	100	Provides a corporate trusteeship for the University Retirement Benefits Plan.
Newcastle ISC Limited	100	Acts as a holding company for the joint venture INTO Newcastle University LLP.
NUIdeasBank.pte Limited	100	A company incorporated in Singapore (liquidation in progress).
NUMed Malaysia sdn bhd	100	A company incorporated in Malaysia for the development of an overseas medical campus.
NUInternational Singapore pte Limited	100	A company incorporated in Singapore for collaborative teaching and research.
Newcastle University Enterprises Limited	100	This company is not yet trading.
NUINTO Limited	51	Provides the teaching of English language skills.

### University membership in companies limited by guarantee:

The Centre of Excellence for Life Sciences Limited

The Russell Group

Newcastle Science Company Limited

Universities UK

## OTHER INVESTMENTS OTHER THAN LOANS

	Percentage of voting rights %	CONSOLIDATED		UNIVERSITY	
		2011 £m	2010 £m	2011 £m	2010 £m
CVCP Properties PLC	1.3	0.1	0.1	0.1	0.1
North East Seed Capital Fund LP	11.94	-	-	-	-
North East Seed Capital Fund Two LP	4.50	-	-	-	-
		<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>

The University has direct minor shareholdings in a number of other companies, including spin outs, which are not material to these financial statements.

Shares in associated undertakings and other investments held by subsidiary companies are disclosed in the financial statements of those companies.

## 13 INVESTMENT IN JOINT VENTURE

INTO Newcastle University LLP is a joint venture between the University and INTO University Partnerships Limited. A 50 per cent share of the LLP's gross assets and liabilities is included in the University's consolidated balance sheet and 50 per cent of its net income is reported in the University's consolidated income and expenditure account. INTO Newcastle University LLP's principal activity is the provision of pre-University education and residential accommodation for international students. At the year end an amount of £nil (2010: £261,820) was due to the University from INTO Newcastle University LLP. In addition, an advance payment of £1,049,603 (2010: £nil) was converted into an interest-bearing loan during the year and remained outstanding at the balance sheet date.

## 14 ENDOWMENT ASSET INVESTMENTS

	CONSOLIDATED AND UNIVERSITY	
	2011 £m	2010 £m
At 1 August	36.9	32.3
Additions	14.6	11.2
Disposals	(14.5)	(10.8)
Net appreciation on disposals and on revaluation	4.9	4.4
(Decrease) / increase in cash balances	(0.1)	0.1
Increase / (decrease) in other current asset balances	0.1	(0.3)
At 31 July	<u>41.9</u>	<u>36.9</u>
Fixed interest stock and equities	42.0	36.9
Bank balances	1.1	1.2
Due from University	(1.2)	(1.2)
	<u>41.9</u>	<u>36.9</u>

## 15 DEBTORS

	CONSOLIDATED		UNIVERSITY	
	2011 £m	2010 £m	2011 £m	2010 £m
Trade debtors	16.3	14.9	16.2	14.8
Accrued income on research grants and contracts	12.0	11.3	12.0	11.3
Amounts owed by subsidiary undertakings	-	-	2.1	1.2
Prepayments and accrued income	5.2	4.8	5.2	4.8
Other debtors	1.2	1.1	1.1	1.1
	<u>34.7</u>	<u>32.1</u>	<u>36.6</u>	<u>33.2</u>

## Notes to the Accounts (continued)

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

	CONSOLIDATED		UNIVERSITY	
	2011	2010	2011	2010
	£m	£m	£m	£m
Fixed term loans	1.0	1.0	1.0	1.0
Payments received on account	24.7	24.7	24.7	24.7
Creditors	24.6	21.3	24.5	21.3
Social security and other taxation payable	5.4	5.0	5.4	5.0
Accruals and deferred income	35.2	35.1	34.9	35.0
	<u>90.9</u>	<u>87.1</u>	<u>90.5</u>	<u>87.0</u>

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

	CONSOLIDATED AND UNIVERSITY	
	2011	2010
	£m	£m
Fixed term loans secured on residential and other property repayable by 2029	16.7	17.7
	<u>16.7</u>	<u>17.7</u>

### 18 DEFERRED CAPITAL GRANTS

	CONSOLIDATED AND UNIVERSITY		
	Funding Council	Other Grants and Benefactions	Total
	£m	£m	£m
At 1 August 2010			
Buildings	95.0	38.0	133.0
Equipment	0.5	1.9	2.4
	<u>95.5</u>	<u>39.9</u>	<u>135.4</u>
Amounts received			
Buildings	4.0	0.5	4.5
Equipment	1.1	0.9	2.0
	<u>5.1</u>	<u>1.4</u>	<u>6.5</u>
Released to income and expenditure account			
Buildings	2.5	1.0	3.5
Equipment	0.9	1.4	2.3
	<u>3.4</u>	<u>2.4</u>	<u>5.8</u>
At 31 July 2011			
Buildings	96.5	37.5	134.0
Equipment	0.7	1.4	2.1
	<u>97.2</u>	<u>38.9</u>	<u>136.1</u>

## 19 ENDOWMENTS

	CONSOLIDATED AND UNIVERSITY					
	Unrestricted Permanent £m	Restricted Permanent £m	Total Permanent £m	Restricted Expendable £m	2011 Total £m	2010 Total £m
At 1 August						
Capital	2.7	15.7	18.4	7.0	25.4	24.3
Unapplied return	1.4	7.3	8.7	2.8	11.5	8.0
	<u>4.1</u>	<u>23.0</u>	<u>27.1</u>	<u>9.8</u>	<u>36.9</u>	<u>32.3</u>
New endowments	-	0.4	0.4	0.4	0.8	1.1
Transfer out from expendable endowments	-	-	-	(0.1)	(0.1)	-
Appreciation of endowment asset investments	0.6	3.1	3.7	1.2	4.9	4.4
	<u>0.6</u>	<u>3.5</u>	<u>4.1</u>	<u>1.5</u>	<u>5.6</u>	<u>5.5</u>
Income	0.1	0.7	0.8	0.3	1.1	1.0
Expenditure	(0.1)	(1.2)	(1.3)	(0.4)	(1.7)	(1.9)
	<u>-</u>	<u>(0.5)</u>	<u>(0.5)</u>	<u>(0.1)</u>	<u>(0.6)</u>	<u>(0.9)</u>
At 31 July	<u>4.7</u>	<u>26.0</u>	<u>30.7</u>	<u>11.2</u>	<u>41.9</u>	<u>36.9</u>
Represented by:						
Capital	2.7	16.1	18.8	7.3	26.1	25.4
Unapplied return	2.0	9.9	11.9	3.9	15.8	11.5
	<u>4.7</u>	<u>26.0</u>	<u>30.7</u>	<u>11.2</u>	<u>41.9</u>	<u>36.9</u>

# Notes to the Accounts (continued)

## 20 GENERAL RESERVE

	CONSOLIDATED		UNIVERSITY	
	2011 £m	2010 £m	2011 £m	2010 £m
Balance at beginning of year	105.6	77.5	105.3	77.7
Surplus retained for the year	15.4	21.3	15.0	20.8
Actuarial gain on pension scheme	14.4	6.8	14.4	6.8
Balance at year end	<u>135.4</u>	<u>105.6</u>	<u>134.7</u>	<u>105.3</u>

### Impact of FRS17 Retirement Benefits

FRS17 resulted in the following movements:

	CONSOLIDATED AND UNIVERSITY	
	2011 £m	2010 £m
Increase in staff costs	(0.3)	(0.3)
Pension finance costs	0.1	(0.6)
Impact on the income and expenditure account for the year	(0.2)	(0.9)
Actuarial gain relating to the pension scheme	14.4	6.8
Increase in total recognised gains and losses for the year	14.2	5.9
Pension liability at beginning of year	(28.9)	(34.8)
Pension liability at end of year	<u>(14.7)</u>	<u>(28.9)</u>

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

	2011 £m	2010 £m
Surplus after depreciation of fixed assets at cost and before tax	13.8	19.9
Depreciation	9.6	8.3
Fixed asset impairment	–	1.4
Loss on disposal of tangible fixed assets	0.1	–
Deferred capital grants released to income	(5.8)	(5.3)
Investment income	(3.0)	(1.9)
Interest payable	1.1	1.1
Difference between FRS17 net pension charge and cash contributions	0.2	0.9
(Increase) / decrease in debtors	(1.9)	0.7
Increase in creditors	3.8	5.6
Net cash inflow from operating activities	<u>17.9</u>	<u>30.7</u>

## 22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2011 £m	2010 £m
Income from endowments	1.1	1.0
Other interest received	1.1	0.7
Interest paid	(1.1)	(1.1)
Net cash inflow from returns on investments and servicing of finance	<u>1.1</u>	<u>0.6</u>

**23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Purchase of tangible fixed assets	(24.9)	(22.7)
Payments to acquire endowment assets	(14.6)	(11.2)
Total fixed and endowment asset investments acquired	<u>(39.5)</u>	<u>(33.9)</u>
Receipts from sale of endowment assets	14.5	10.8
Receipts from sale of tangible fixed assets	–	0.2
Deferred capital grants received	6.5	25.8
Net endowments	0.7	1.1
Net cash (outflow) / inflow from capital expenditure and financial investment	<u>(17.8)</u>	<u>4.0</u>

**24 ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR**

	<b>£m</b>
Fixed Term Loans	
At 1 August 2009	19.7
Capital repayments	(1.0)
At 31 July 2010	<u>18.7</u>
Capital repayments	(1.0)
At 31 July 2011	<u>17.7</u>

**25 ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At 1 August</b>	<b>Cash</b>	<b>Other</b>	<b>At 31 July</b>
	<b>2010</b>	<b>Flows</b>	<b>Changes</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash at bank and in hand:				
Endowment asset investments (note 14)	1.2	(0.1)	–	1.1
Others	38.1	(7.7)	–	30.4
	<u>39.3</u>	<u>(7.8)</u>	<u>–</u>	<u>31.5</u>
Short-term investments	83.0	8.0	–	91.0
Debt due within one year	(1.0)	1.0	(1.0)	(1.0)
Debt due after one year	(17.7)	–	1.0	(16.7)
	<u>103.6</u>	<u>1.2</u>	<u>–</u>	<u>104.8</u>

# Notes to the Accounts (continued)

## 26 CAPITAL COMMITMENTS

	<b>CONSOLIDATED AND UNIVERSITY</b>	
	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Commitments contracted at 31 July	23.3	34.0
Authorised but not contracted at 31 July	21.6	10.9
	<u>44.9</u>	<u>44.9</u>

## 27 CONTINGENT LIABILITIES

The University has three nomination agreements relating to student accommodation. The expiry dates and nominated rooms are: 2015–16 150 beds; 2018–19 256 beds; 2028–29 90 beds and the charges in respect of these rooms should be fully recovered from student residential income.

The University participated in the Federated Superannuation System prior to the creation of USS. This scheme purchased annuities to provide pensioners with their benefits. However, annuity growth has fallen below inflation and is insufficient to cover the annual guaranteed increase and as a result participating employers are invoiced for the shortfall. The University's contribution for the current year was £20,000 and this will decline in line with a reduction in the number of pensioners.

## 28 ACCESS FUNDS

	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Balance unspent at beginning of year	0.1	–
Funding Council grants	0.2	0.3
	<u>0.3</u>	<u>0.3</u>
Disbursements	(0.2)	(0.2)
Balance unspent at 31 July	<u>0.1</u>	<u>0.1</u>

Funding Council grants are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

## 29 TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS

	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Training bursaries:		
Balance overspent at beginning of year	(0.1)	–
Grant	1.5	1.6
Disbursements	(1.4)	(1.7)
Balance due from TDA at 31 July	<u>–</u>	<u>(0.1)</u>

The above training bursaries from the Training and Development Agency (TDA) are available solely for students in initial teacher training; the University acts only as paying agent. The bursaries and related disbursements are therefore excluded from the income and expenditure account. Minority ethnic recruitment grants unspent at the beginning of the year amounted to £nil (2010: £9,000), grants in the year amounted to £nil (2010: £1,000), £nil (2010: £9,000) was repaid to the TDA and disbursements amounted to £nil (2010: £5,000).

### 30 PENSION ARRANGEMENTS

The University participates in two main pension schemes, the Retirement Benefits Plan (1971) (RBP) and Universities Superannuation Scheme Limited (USS). The University also has a small number of staff in the National Health Service Scheme (NHSS), the total cost of which was £1.8m (2010: £1.9m). This includes £0.2m (2010: £0.2m) outstanding contributions at the balance sheet date.

The total pension cost for the University was:

	2011 £m	2010 £m
Contributions to USS	23.2	22.3
Contributions to RBP including FRS17 adjustment	5.4	5.1
Contributions to NHSS	1.8	1.9
Total Pension cost (note 6)	<u>30.4</u>	<u>29.3</u>
Pension finance interest (notes 5 and 8)	(0.1)	0.6
Total pension cost including pension finance interest	<u>30.3</u>	<u>29.9</u>

#### RBP

RBP is an Exempt Approved Scheme under the Finance Act 1970 and provides benefits based on final pensionable salary; it is established under irrevocable trusts and its assets are kept strictly separate from those of the University. It is a defined benefit scheme. The total pension cost to the University was £5.4m (2010: £5.1m). The contribution payable by the University was 12.25 per cent of pensionable salaries. There were no outstanding contributions at the balance sheet date.

The expected contribution to the plan during the next accounting year is £5.3m.

A full actuarial valuation was carried out as at 1 August 2010 and updated to 31 July 2011 by a qualified independent actuary. The major assumptions used by the actuary were:

	Year ended 31 July 2011	Year ended 31 July 2010
Discount rate at year end	5.50%	5.45%
Expected return on plan assets at year end	6.90%	6.70%
Future salary increases	3.90%	3.65%
Future pension increases	2.10%	2.50%
RPI inflation	3.40%	3.15%
CPI inflation	2.50%	-
Life expectancy of current pensioners (from age 65)	22.1	22.4
Life expectancy of future pensioners (from age 65)	23.7	23.8

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

	Value at 31 July 2011 £m	Long- term expected return %	Asset Allocation %	Value at 31 July 2010 £m	Long- term expected return %	Asset Allocation %
Equities	73.8	8.25	52	65.7	8.25	51
Bonds	52.6	4.80	37	57.4	4.80	45
Property	7.9	8.25	6	5.7	8.25	4
Absolute return fund	7.2	7.75	5	-	-	-
Cash	0.7	0.50	-	0.2	0.50	-
Fair value of assets	<u>142.2</u>	6.90		<u>129.0</u>	6.70	
Present value of obligations	(156.9)			(157.9)		
Funded status	(14.7)			(28.9)		
Related deferred tax asset	-			-		
Net pension liability	<u>(14.7)</u>			<u>(28.9)</u>		

## Notes to the Accounts (continued)

### 30 PENSION ARRANGEMENTS (continued)

<b>Analysis of the amount charged to operating surplus</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Current service cost	5.4	5.1
Interest on obligation	8.5	8.7
Expected return on plan assets	(8.6)	(8.1)
<b>Total operating charge</b>	<b>5.3</b>	<b>5.7</b>
<b>Change in defined benefit obligation</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Opening defined benefit obligation	157.9	149.9
Service cost (including employee contributions)	5.5	5.3
Interest cost	8.5	8.7
Actuarial (gains) / losses	(7.3)	0.6
Benefits paid	(7.7)	(6.6)
<b>Closing defined benefit obligation</b>	<b>156.9</b>	<b>157.9</b>
<b>Change in fair value of plan assets</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Opening fair value of plan assets	129.0	115.1
Expected return	8.6	8.1
Actuarial gains	7.1	7.4
Contributions by employer	5.0	4.8
Contributions by employees	0.2	0.2
Benefits paid	(7.7)	(6.6)
<b>Closing fair value of plan assets</b>	<b>142.2</b>	<b>129.0</b>

#### USS

USS is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and, therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are:

the rate of return on investments (ie the valuation rate of interest)		6.4% pa
the rate of increase in salary		4.3% pa
the rate of increase in pensions		3.3% pa
the assumed rates of mortality:	Males (females) currently aged 65	22.8 (24.8) years
	Males (females) currently aged 45	24.0 (25.9) years

### 30 PENSION ARRANGEMENTS (continued)

At the valuation date, the value of the assets of the scheme was £28,842m and the value of the scheme's technical provisions was £28,135m indicating a surplus of £707m. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 107% funded; on a buy-out basis (ie assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 104%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the 'Official Pensions Index' from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level under the new scheme-specific funding regime had fallen from 103% to 98% (a deficit of £700m). Compared to the previous 12 months, the funding level has improved from 91% (as at 31 March) 2010 to 98%. This estimate is based on the funding levels at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions. The next formal valuation is at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using an AA bond discount rate of 5.5 per cent based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86 per cent. An estimate of the funding level measured on a buy-out basis was approximately 54 per cent.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowance for scheme benefit changes and changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the University had 2,551 active members participating in the scheme.

The total pension cost for the University was £23.2m (2010: £22.3m). This includes £1.9m (2010: £1.9m) outstanding contributions at the balance sheet date. The contribution rate payable by the University was 16 per cent of pensionable salaries.

# Notes to the Accounts (continued)

## 31 RELATED PARTIES

The University had transactions with a number of organisations which fell within the definition of Related Parties under FRS8 'Related Party Disclosures'. In accordance with FRS8 no disclosure has been made of intra-group transactions and balances eliminated on consolidation.

Due to the nature of the University's operations and the composition of its Council (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council or Executive Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. Details of transactions, where material, are shown below.

	<b>(Income)/ Expenditure</b>		<b>Debtor/(Creditor) balance</b>		<b>Nature of transaction/ relationship</b>
	<b>2011 £m</b>	<b>2010 £m</b>	<b>2011 £m</b>	<b>2010 £m</b>	
<b>Joint ventures, associates and spin outs</b>					
INTO Newcastle University LLP	(1.7)	(1.8)	1.2	0.3	Fees for student accommodation and other services.
N8 Limited	-	(0.1)	-	-	Northern Way initiative support.
<b>Other organisations</b>					
Newcastle University Students' Union	8.7	1.9	(1.3)	-	Union Society subvention and specific grant.
The University of Newcastle upon Tyne Development Trust	(1.6)	(1.6)	-	-	Endowment income distribution.
The Newcastle upon Tyne Hospitals NHS Trust	(13.2)	(11.6)	0.7	0.7	University representation on Trust Board. NHS/academic staff recharges.
Northern Stage (Theatrical Productions Ltd)	-	(0.1)	-	-	University representation on Board. Net accommodation rental income.
International Centre for Life	0.1	1.9	-	-	University representation on Board. Net accommodation rental charges.
Science City	-	(0.1)	-	-	University representation on Board.
<b>Council and Executive Board members</b>					
Professor C Day, Medical Research Council member	(7.5)	(7.4)	0.2	-	Medical Research Council. Human health improvement through world-class research.
Mr S Pleydell, Trust Chief Executive	(0.2)	(0.1)	0.1	-	South Tees Hospitals NHS Trust. NHS/academic staff recharges.
Mr I Shott, Company Chairman	0.1	0.1	-	-	The Centre of Excellence for Life Sciences. Net accommodation charges.
Sir M Irving, Chairman NHS Innovations (North)	-	(0.1)	-	-	RTC North. Business services to support economic growth.
Mr N Braithwaite, Senior Counsel	0.2	-	-	-	Dickinson Dees LLP professional services.

Council members did not receive remuneration in respect of their service to Council during the year. The amount paid to members of Council in respect of expenses during the year amounted to £4,444.

The University does not have any Linked Charities, as defined by the Charities Act 1993, Schedule 2, paragraph (w).

# Five-year Summary

	2011 £m	2010 £m	2009 £m	2008 £m	2007 (a) £m
<b>INCOME</b>					
Funding Council grants	116.2	120.8	113.4	119.0	115.4
Academic fees and support grants	104.7	92.8	81.3	67.3	59.1
Research grants and contracts	88.5	85.2	84.5	75.4	65.9
Other operating income	69.7	71.8	82.0	73.4	71.2
Endowment income and interest receivable	3.1	1.9	4.2	7.2	4.9
<b>Total income</b>	<b>382.2</b>	<b>372.5</b>	<b>365.4</b>	<b>342.3</b>	<b>316.5</b>
<b>EXPENDITURE</b>					
Staff costs	204.3	198.5	192.9	180.3	171.8
Other operating expenses	145.6	143.9	145.8	136.8	125.9
Grant to Students' Union	7.8	0.2	–	–	–
Depreciation	9.6	8.3	9.5	10.4	9.2
Interest payable	1.1	1.7	1.9	1.2	1.4
<b>Total expenditure</b>	<b>368.4</b>	<b>352.6</b>	<b>350.1</b>	<b>328.7</b>	<b>308.3</b>
<b>Surplus after depreciation of assets but before tax</b>	<b>13.8</b>	<b>19.9</b>	<b>15.3</b>	<b>13.6</b>	<b>8.2</b>
Share of operating profit / (loss) in joint venture	1.0	0.5	0.2	(0.4)	(0.3)
<b>Operating surplus</b>	<b>14.8</b>	<b>20.4</b>	<b>15.5</b>	<b>13.2</b>	<b>7.9</b>
Taxation	–	–	–	–	(0.1)
<b>Surplus after depreciation of assets and tax</b>	<b>14.8</b>	<b>20.4</b>	<b>15.5</b>	<b>13.2</b>	<b>7.8</b>
Deficit for the year transferred to endowment funds	(0.6)	(0.9)	(0.7)	(0.4)	(0.4)
<b>Surplus for the year retained within general reserves</b>	<b>15.4</b>	<b>21.3</b>	<b>16.2</b>	<b>13.6</b>	<b>8.2</b>
<b>Capital expenditure</b>	<b>24.1</b>	<b>22.7</b>	<b>49.2</b>	<b>29.9</b>	<b>11.0</b>
<b>Net Funds</b>	<b>104.8</b>	<b>103.6</b>	<b>68.3</b>	<b>70.5</b>	<b>64.6</b>

Notes:

(a) 2007 has been restated to include the impact of the changes to accounting for endowments in accordance with the SORP.



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