

Integrated Annual Report 2018–19



Contents

Review of the year

Highlights of the year	04
Introduction from the Chair of Council	06
Conversation with the Vice-Chancellor and President	08

The University

Overview	10
Our principal stakeholders	12
The University at a glance 2018–19	14
Charity status and Public Benefit Statement	16
Value creation model	18
Working to address UN Sustainable Development Goals	20
Materiality and risk	22
Our approach to risk management	24

Strategic review

Our Vision and Strategy	26
Education for life	28
Research for discovery and impact	31
Engagement and place	34
Global	37

Relationships and resources

Our People: students and colleagues	40
Infrastructure	44
Networks and partnerships	47
Environmental sustainability	49
Effectiveness and financial sustainability	50

Financial Review

Corporate Governance Statement	59
Remuneration Report	65
Independent Auditor's Report to Council	69
Statement of Principal Accounting Policies	71
Consolidated and University Statement of Comprehensive Income	76
Consolidated and University Statement of Changes in Reserves	77
Consolidated and University Balance Sheet	78
Consolidated Cash Flow Statement	79
Notes to the Financial Statements	80



Front cover image: The Nick, a sculptural shelter at Blakehope Nick, Kielder, designed by Masters of Architecture students from the University.



The University's Vision and Strategy shapes brighter futures, enabling students to achieve their full potential. We are a world-leading university, advancing knowledge, providing creative solutions and solving global problems.

We are working to be at the forefront of integrated thinking and reporting in the higher education sector. This is a framework that has been adopted across the globe to make more effective use of resources, improve decisions and enhance accountability, stewardship, transparency and trust. We use the framework to help us understand the strategic enablers and co-dependencies that materially affect our ability to create value for our colleagues, students and external partners, and thereby to deliver our Vision and Strategy.

Our 2018-19 annual report is a third step towards fully adopting integrated reporting (IR). It is informed by the IR framework developed by the International Integrated Reporting Council (IIRC). We provide an overview of the University and our strategic objectives, summarise our value creation model, describe our key stakeholders and partnerships, explain our approach to materiality and risk, outline key factors influencing performance, report on relationships and resources and describe our governance structure in detail.

In relation to the IIRC Framework for integrated reporting, we confirm that Executive Board and Council have been involved in the development of this Integrated Annual Report. Council acknowledges its overall responsibility for the accuracy and integrity of the Report's contents. We recognise that this report does not yet fully comply with the IIRC Framework and more work will be carried out in the coming year to develop our approach to reporting. This will be informed by external peer review arranged by the IIRC.

Highlights of the year



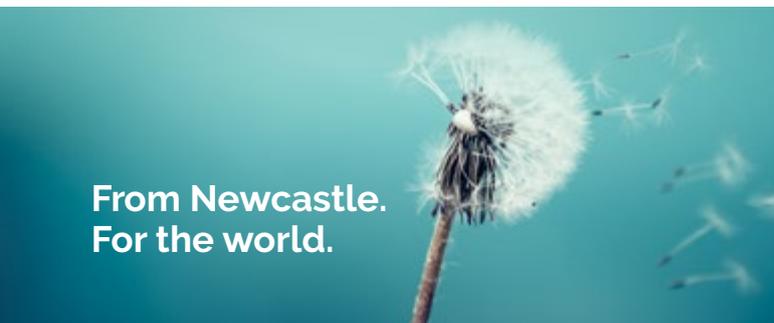
August 2018

Professor Hayley Fowler is made a Fellow of the American Geophysical Union for exceptional scientific contribution in the fields of Earth and space sciences.



September 2018

Our Claremont and Daysh buildings start a complete refurbishment that will transform the 1960s buildings and improve their energy efficiency.



From Newcastle.
For the world.

October 2018

The University unveils its new Vision and Strategy, outlining our future direction.



November 2018

An international team of archaeologists – drawn from Newcastle and the Universities of Florence and Amsterdam and the Vatican Museums – reveals new insights into the history of Rome.



December 2018

Park View Student Village is officially opened by the Vice-Chancellor and President, Chris Day.



January 2019

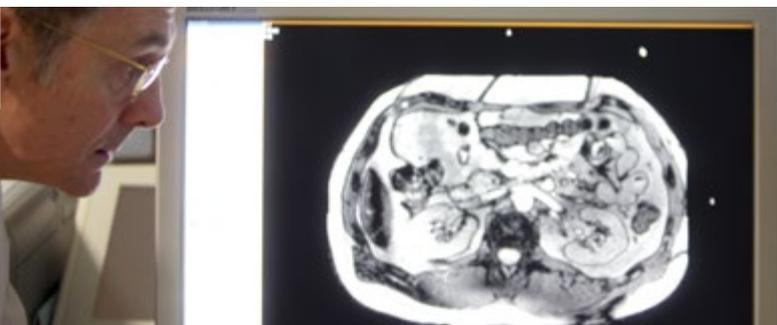
UKRI launches an ambitious new approach to tackle some of the world's most pressing challenges. Two of the 12 global research hubs, both focused on water, are led by our experts.



©Colin Davison
@rosellastudios

February 2019

Two Fine Art graduates exhibit at BALTIC Centre for Contemporary Art. Peter Hanmer and Petra Szemán are part of Digital Citizen – The Precarious Subject.



March 2019

New research reveals that insulin production in the pancreas can recover in patients with Type 2 diabetes.



April 2019

Newcastle signals its commitment to climate change action by joining a number of organisations in the UK and all over the world to declare a climate emergency.



May 2019

Professor Dame Louise Robinson is named one of the Nation's Lifesavers. She had been awarded a DBE in the New Year Honours List.



June 2019

Modern language students put their skills to use by helping Newcastle Castle improve information for overseas visitors.



July 2019

Umme Imam, a founding member and executive director of The Angelou Centre, offering services for black and minority ethnic women, is conferred the title of Honorary Doctor of Civil Law.

Introduction from the Chair of Council

Organisations achieve long-term success by knowing their strengths and their values and by translating that knowledge into strategic decisions. The last year has seen some great examples of how the University has brought its values to life by implementing our Vision and Strategy that was launched in October 2018. This report includes details of initiatives that started, or took place, during the past 12 months enabling us to end the year in a strong position.

Paul Walker Chair of Council and Pro-Chancellor

I want to begin by highlighting three external challenges that I identified in last year's report and considered recently with my colleagues on Council. These arise from the environment in which we work and create uncertainty that must be managed effectively by the Vice-Chancellor and President together with his senior team.

As we passed the original Brexit date on 29 March 2019, the UK entered a period of further political instability with a lack of guidance on key issues affecting University operations. The Vice-Chancellor addresses what we are doing to mitigate our risk on pages 8 and 9, and I support our efforts to secure sustainable funding for world-class research and education.

University finances have also been under the spotlight following the publication in May 2019 of the Augar review of post-18 education and funding. It is not yet clear which, if any, of the recommendations will be taken forward but we will need to respond to any changes in the funding model for higher education.

The financial sustainability of all our pension schemes has continued to require focus by Council and the senior team. The March 2018 valuation of the USS pension scheme concluded in September 2019 and provides some degree of cost stability for a period of two years – which I welcome. The next valuation will be as at 31 March 2020, less than five months from now, so this will continue to be a key issue during the coming year. This year's financial statements have had to be prepared on the basis of the March 2017 valuation, requiring a provision of £80m for the impact of the deficit recovery plan. We expect the 2019-20 financial statements to recognise a credit of £52m, resulting from the March 2018 valuation. The provision movements are explained in more detail on pages 55-56.

Amid the external challenges, we have continued to perform well across a number of areas. The total number of students and employees continued to grow and our income, which exceeded £500m for the first time last year, grew by a further 11% to £571m in 2018-19.

Overall student satisfaction 2018-19

National Student Survey **85%**

Postgraduate Taught Experience Survey **82%**

International Student Barometer **93%**

[Read more on pages 28-30.](#)

The value of new research grants awarded in the past year rose by 2% to £121m demonstrating a strong pipeline of research activity.

A key highlight was the successful monetisation of our rights to receive royalties in relation to Rubraca, a cancer drug developed in partnership with Cancer Research UK. This generated a net receipt of £13.1m for the University.

In the past year, we were listed among the top 10 institutions in the UK for graduate prospects both in the Sunday Times and the Complete University Guide. The University was also placed third nationally for graduate entrepreneurship, based on the combined revenue of its trading start-ups in the latest Higher Education Business and Community Interaction Survey.

In terms of student satisfaction, we recorded high scores in the International Student Barometer with 92.5% of respondents stating they were satisfied and 95.6% saying they were happy at Newcastle University.



Within the National Student Survey of final-year undergraduates, we continued to score above the national average for overall satisfaction; however the relative position in a number of domains shows room for improvement.

We have made excellent progress in our capital investment programme in the past year. Our presence on the Newcastle Helix site is transforming rapidly; our sports provision has been significantly extended and the refurbishment of the Claremont and Daysh buildings and construction of our second purpose-built learning and teaching centre are both progressing well. Our capital programme is one of the enablers that will support us to deliver our Vision and Strategy. This investment and other strategic decisions are informed by our

shared values which brings to life our commitments to sustainability, partnership working and Equality, Diversity and Inclusion (ED&I).

Over the past year, I am proud of the leading role the University has taken in signalling its commitment to climate change action. Our strategy for Engagement and Place and our work with Newcastle City Council, the NHS and other organisations based in the North East will play a fundamental role in delivering inclusive place-based growth. The development of our international networks and the increasing numbers of international students who want to study at Newcastle is testament to our values-led approach.

As we accelerate the implementation of our Vision and Strategy in 2019-20,

my priorities are to ensure that we continue to mitigate the impact of the 'demographic dip' in university-age domestic students, to take measures to address the recent drop in student satisfaction and to monitor the wider political environment to ensure that we successfully navigate external challenge.

Finally, we bid a fond farewell to our Chancellor, Professor Sir Liam Donaldson, who retired in July 2019 after 10 years in office. His good humour, wise counsel and sound handling of our more formal events will be greatly missed.

As Chair of Council, it is my pleasure to present to you this report on behalf of all those who contribute to the ongoing success of Newcastle University.

Conversation with the Vice-Chancellor and President

Professor Chris Day

Vice-Chancellor and President

What progress is the University making on its Vision and Strategy?

I'm very happy to report that we're making excellent progress. All four of our supporting strategies – Education for Life, Research for Discovery and Impact, Engagement and Place, and Global – are well into the implementation phase and on the way to delivering on their key transformative initiatives.

We're about to launch our first four Newcastle University Centres of Research Excellence which are in Heritage, Energy, Regulatory Science and Data.

In March, Senate approved a new Graduate Framework to enable students to develop attributes that will enhance their employability and prepare them to be responsive to current and future challenges.

We've completed the appointment of a team of external facing Deans – in Engagement and Place, Social Justice, Equality, Diversity and Inclusion (ED&I), Culture and Creative Arts, Lifelong Learning and Professional Practice, and Innovation and Business, to help deliver the University's Vision and Strategy.

Unsurprisingly, much of the work we have been doing under our Global Strategy has been focused on ensuring, as far as possible, that we are ready to operate in a Post-Brexit Europe. However, during the year we have also been mapping our global networks and partnerships and we've convened a number of regional interest groups as part of our strategy to develop our approach.



What have been the highlights of the year?

For me, a stand-out moment was definitely the launch of our Vision and Strategy with our external partners on 17 May 2019. The event showcased the work we do with our partners on the co-design and co-production of a wide range of projects, and through them the benefits the University brings to our city and region.

The announcement in January that our University is to lead not one, but two of UK Research and Innovation's (UKRI) pioneering Global Research Hubs, set up to tackle the world's toughest challenges, was also a significant highlight, confirming our reputation as a globally-leading centre of excellence for research in Water Security and Living Deltas.

Likewise our very first Professional Services Conference, in July, showcased the talents of our professional and technical teams, without whom we just wouldn't be able to operate. I felt that the conference was an affirmation of how we're all working together in a way that truly encapsulates our values.

What are the main challenges facing the sector and the University?

The fact that we're just a few weeks away from our expected exit from the European Union without yet having any clear idea of what our future relationship with Europe might look like represents potentially one of the greatest challenges we are ever likely to face.

European research money has enabled UK University research, and in no small part our own research here at Newcastle, to claim a place among the very best in the world. So it's not difficult to imagine how damaging the loss of access not just to the funds, but even more importantly to the ability to easily collaborate within a network of highly-skilled researchers and experts around Europe, will be to the future of the UK's scientific, technological and cultural endeavour.

I'm also acutely aware that the uncertainty is very unsettling for our EU students and colleagues, so we're determined to do all we can to support them, including underwriting an ERASMUS+ programme for 2020/21 ensuring that our students will be able to take advantage of study abroad.

Is the University in a strong position to respond to these challenges?

Absolutely. Despite the unprecedented turbulence in UK politics and in the HE sector, I believe we can look forward from a position of confidence and strength.

Our position in the QS world ranking published in June puts us in the top 150 of global universities for the second year in a row. We performed well in the Times Higher Education (THE) University Impact Rankings, which put us 23rd in the world for our commitment to sustainable development and the THE Europe Teaching Ranking scored us in the Top 25 for our teaching.

If you were to look for a tangible manifestation of our confidence in our status as a globally-leading University, you need look no further than Newcastle Helix. With two fantastic new buildings – the Frederick Douglass Centre with its 750-seat lecture theatre and The Catalyst, the headquarters for our two National Innovation Centres in Ageing and Data – joining our flagship Urban Sciences Building on Helix this year, we have cutting edge research and innovation and world-class teaching facilities to rival the best in the UK.

Added to that, we are in a strong financial position. Last year's results were adversely impacted by USS pension provision but the underlying EBITDA was very encouraging and we have maintained a strong balance sheet.

The University has made some bold commitments during the year. Can you tell us more about them and the impact they have had?

In the past 12 months, we've made a number of commitments based around our institutional values and our particular focus on social justice.

In April, we joined organisations here in the UK and all around the world in signalling our commitment to climate change action by declaring a climate emergency. We're going to be working together with our colleagues and students, and with partners in the city, region and across civil society with the aim of achieving net-zero carbon dioxide emissions by 2040.

In March this year we agreed to introduce the Real Living Wage for all of our colleagues from 1 August 2019. We did this because we believe that this is the right thing to do and because we want all of our teams to know that the contribution that they make is valued.

We're now working towards becoming an Accredited Living Wage employer as certified by the Living Wage Foundation, which means we will commit to paying a fair wage to our own people, but also to contractors who work regularly on our premises.

Maintaining our focus on ED&I, we've also signed up to the Race Equality Charter, and we're working towards becoming a University of Sanctuary that actively supports asylum-seekers and refugees.

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. We were a founding member of the Russell Group, comprising the UK's leading research-intensive universities.

The University:

- is home to over 28,500 students
- offers undergraduate, postgraduate taught and research degrees in over 60 subject areas
- leads world-leading research, spanning a wide range of activity with a strategy to address major global societal challenges
- enjoys strong research links with many European and other international universities
- is one of the largest employers in the North East of England, with almost 6,200 colleagues (5,800 full-time equivalent)
- sits in the heart of Newcastle city centre with campuses in Malaysia and Singapore and a site in London

Our Vision and Strategy is to be a world-leading university, advancing knowledge, providing creative solutions and solving global problems.

The Vision is supported by four core strategies covering:

- Education for Life
- Research for Discovery and Impact
- Engagement and Place
- Global

Strategic leadership of each of these is provided, on a University-wide basis, by our Deputy Vice-Chancellor and three 'cross-cutting' Pro-Vice-Chancellors (PVCs) with University-wide remits. We collaborate with a range of partners on strategic initiatives, helping to extend the University's influence and reinforce our ties with the city, region and beyond. These include Newcastle City Council, local NHS Trusts, North East Local Enterprise Partnership and partner universities in the North East of England.

Delivery of the core academic functions occurs in our three faculties, each led and managed by a 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 schools or research institutes, each led and managed by a head or director. The core academic functions and line-management 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 Services teams.



Our principal stakeholders

An organisation as diverse as the University naturally works with a wide range of stakeholders. The principal stakeholders are listed here together with a summary of how we seek to engage with them.

Students

We have over 28,500 students from 140 different countries and are in many ways our *raison d'être*. Their activity and success is described in more detail on pages 40 and 41. The student voice and student engagement are important features of our governance and strategic planning processes. As active members of the University community, students trained by Newcastle University Students' Union contribute through our consultation system as course representatives and student chairs of staff-student committees. Council, Senate, Court and many key University committees and groups include student members. In 2018-19, they contributed more than 50% of our total income through tuition fees and accommodation payments, either directly or via the Student Loans Company or sponsors.

Colleagues

We have almost 6,200 colleagues drawn from 90 countries, including some 635 from the European Union, and they are critical to our success. Their activities and successes are described in more detail throughout this report, and in particular, on pages 41-43. There are formal opportunities for colleagues to be represented in the University's governance process through elected membership of Council and Senate and through engagement with our three recognised trade unions: University and College Union, Unison and Unite. There is also an extensive internal communications programme.

Alumni

We have more than 230,000 alumni in 186 countries across the world and we support a number of alumni societies and chapters. In 2018-19, we organised more than 110 events ranging from informal reunions to international leadership events and the annual meeting of Convocation in Newcastle. We produce an annual magazine *Arches* for our graduate community which features the latest news from our campuses and our graduates around the world. *Alma Matters* is a supplementary publication produced for graduates and friends of the University who are based in North America. The *NCL Professional Network* series enables our alumni to enhance their portfolio of contacts, meet fellow alumni and friends working in related professions, and hear from leading speakers in their sector. Many alumni continue to retain an involvement with the University today and more than 4,000 of them volunteered their time and expertise on behalf of the University in 2018-19. We launched *NCL spark*, our online alumni networking and mentoring platform in February 2019, which connects current students and alumni to provide career inspiration and professional development opportunities. We celebrated just some of our inspiring alumni in 2018-19 with a series of portraits throughout the Newcastle campuses and with the second round of 'Alumni Achievement Awards'.

The local community

We recognise the importance of engagement with our local community and business, and have key partnerships with civic organisations such as Newcastle City Council, Newcastle Upon Tyne Hospitals Trust and Northumbria University. These partnerships are vital in our plans to develop a Civic University Agreement.

We have a formal partnership with Newcastle City Council through the Newcastle Helix partnership and we work with Northumbria University and our respective students' unions to promote good relations between our students and the local community. We are members of the Confederation of British Industry and the North East Chamber of Commerce and have a regular programme of engagement with businesses and voluntary organisations in the region.

We are particularly proud of our partnerships with local cultural organisations including Tyne and Wear Archives and Museums, Seven Stories, Northern Stage, The International Centre for Life and Sage Gateshead. We have a wide programme of engagement with local schools and colleges and accredit foundation degrees offered by Sunderland College. The Great North Museum: Hancock attracts around half a million visitors every year. The University has twice-yearly meetings of Court, with over 40 lay members representing business, politics, local government and the voluntary and community sectors.

Funders and regulators

The Office for Students (OfS) is the principal regulator for higher education providers in England. Its responsibilities include those previously exercised by the Office for Fair Access to promote widening participation in higher education for disadvantaged groups. Given its regulatory role, our engagement with the OfS is predominantly formal and they would see the Vice-Chancellor and President, as the Accountable Officer, as their principal contact.

More than 700 funders, drawn from government, the third sector and the private sector, contributed around £108.7m of research income to the University in 2018–19. Many of these

funders have formal programmes of engagement and assurance with the University as well as a wide range of informal relationships.

Partner organisations

It is in the nature of the higher education sector that we compete and collaborate at the same time. Our principal competitors are research-intensive universities in the UK and, to a lesser extent, other universities in the North East. We work closely with other universities in the region to promote widening access to higher education through the National Collaborative Outreach Programme (NECOP), which we lead in the North East, and other initiatives.

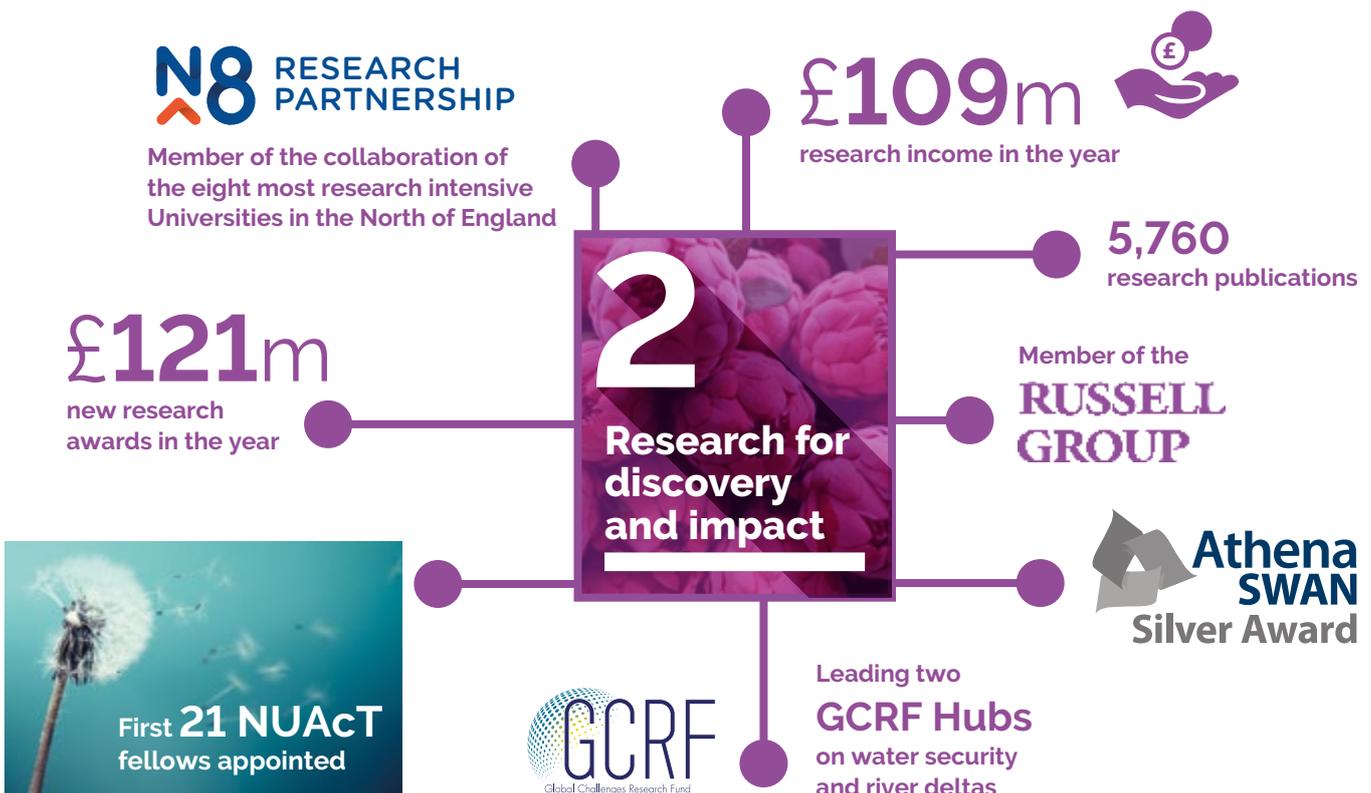
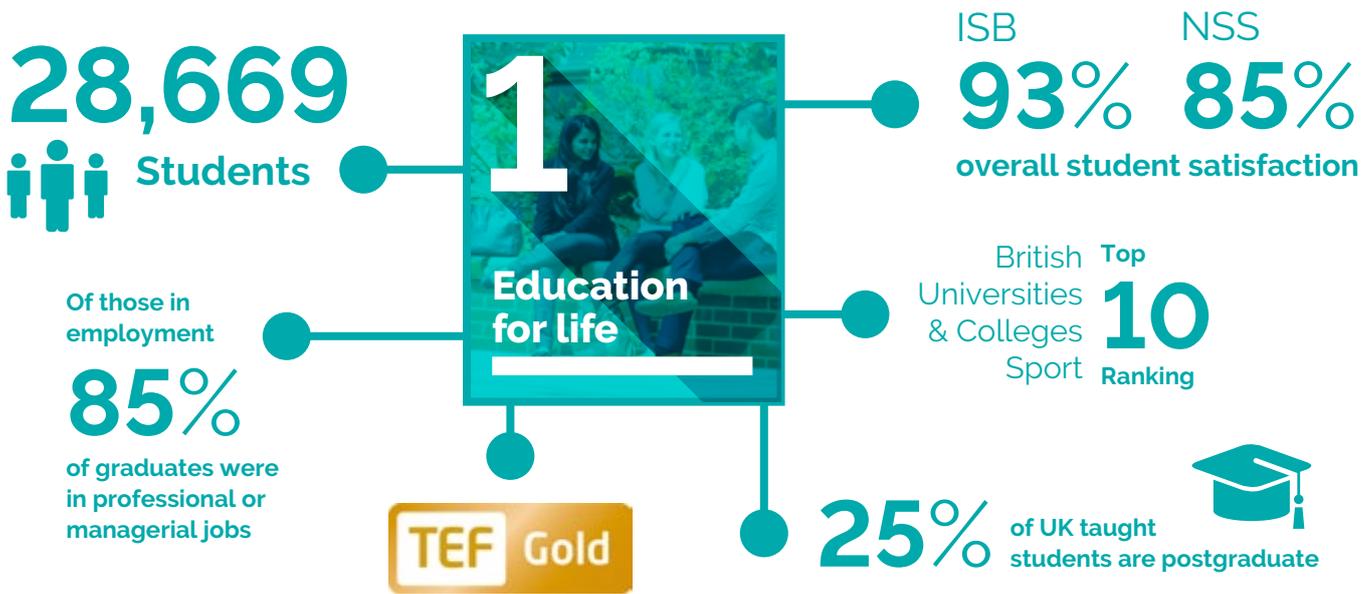
We also work with universities in the UK, Europe and across the world to further our research interests. We have strategic partnerships with several universities including Groningen in the Netherlands and Monash in Australia. We have close relationships with our neighbouring universities in the North East of England.

We are members of Universities UK, the Russell Group (comprising the 24 leading research-intensive universities) and the N8 Research Partnership (of eight research intensive universities in the north of England), as well as numerous sector-wide bodies that work to promote shared services and common understanding.



Students studying in the Percy Building.

The University at a glance 2018–19





Charity Status and Public Benefit Statement

For the year ended 31 July 2019

In developing and overseeing the University's strategy and activities, Council has had due regard to the Charity Commission's guidance on public benefit.

It is also aware that, because the University is charging high fees, it must make provision for those from lower income backgrounds to have the opportunity to benefit from the services provided. The principal beneficiaries of the University's services are our students and the public at large.

The Office for Students is the principal regulator for most English higher education institutions under the Charities Act 2011 and is the regulator for this University.

Our statutes define the object of the University as 'for the public benefit, to advance education, learning and research'. Public benefit is embedded in our Vision and Strategy. The University takes seriously its commitment to ensure that it satisfies the Charity Commission's public benefit test that there be identifiable benefits and that the opportunity to benefit must not be unreasonably restricted. We have a range of schemes to encourage participation in our academic programmes by students from under-represented socioeconomic groups and those from low income households.

In 2018–19 we provided £2.6m in means-tested scholarships to support 1,517 new undergraduate entrants who might otherwise have been unable to afford the costs of going to university. This constituted 26% of our 5,904 full-time UK and EU

undergraduate entrants in 2018. We also paid a further £5.6m to support 3,073 undergraduates continuing their studies. The 2018–19 UK and EU undergraduate financial support of £8.2m for a total of 4,590 students represents a slight decrease of £151k compared to 2017–18. We have committed more than £43m through our Access Agreement to student financial support over the next five years. We supported 40 mostly full-time taught postgraduates from widening participation backgrounds with scholarships of up to £5,000, costing £171k in total, to supplement the Postgraduate Masters' Loans now available from the Student Loans Company.

We alert all prospective and current students to the financial support opportunities, through our website, brochures, talks, workshops, mail shots, student newspaper, email, social media, and plasma screen reminders throughout the year.

During 2018–19 we awarded more than 9,000 undergraduate and postgraduate degrees.

We are the largest research university in the North East. During the calendar year 2018 our academic colleagues published 5,760 research articles, books, book chapters and conference proceedings, an increase from 5,528 in 2017. Our total research income in 2018–19 was £108.7m.



PARTNERS Programme Summer School.



To support our charitable work, we received £6.0m in philanthropic donations during 2018–19, including a single donation of £2.5million in recognition of our expertise in ageing research. In addition, £2.8m of our research activity was funded through philanthropy. We receive funding from a wide range of benefactors, based in the UK and overseas, including many of our alumni and we are grateful for their support.

In 2018–19, our community of donors made valued contributions for the benefit of student support, enterprise and entrepreneurship, medical and non-medical research, and campus development. We thank them for their commitments and continue to build relationships with individuals and organisations who resonate with the values and vision of the University.

The Charities (Protection and Social Investment) Act (2016) requires charities to state the approach taken in fundraising. We seek, steward and accept benefactions in support of our charitable objective. We do so under the leadership of the Director of Advancement and we do not use external professional fundraisers or commercial agents to undertake these activities. In our fundraising activities we follow the *Principles of Practice for Fundraising Professionals at Educational Institutions* approved by the Council for Advancement and Support of Education's Board of Trustees in July 2014. This sets out ethical principles of

personal integrity, confidentiality and public trust. We complied with these standards in 2018–19.

We expect that useful knowledge acquired through research will be disseminated to the public and others able to benefit from such research. We normally expect that any private (non-charitable) benefit will be legitimately incidental to the achievement of our charitable aims for public benefit. The terms and conditions of all externally funded research activity are assessed prior to acceptance in terms of the public benefit test for charitable purpose.

More information on our work and the way it fulfils our charitable purpose is included in this report and on our website.

www.ncl.ac.uk

Our Value Creation Model

We exist for the public benefit to advance education, learning and research. In this section, we use a value creation model to describe how we create and sustain value for our many stakeholders.

Inputs

Our resources and relationships

The University utilises the following inputs to create financial and non-financial value



People



Infrastructure



Networks and Partnerships



Financial



Environmental

How we create value

To advance education, learning and research for the public benefit, we have created a world-class learning environment in Newcastle city centre with national and international bases.

We work with partners to identify the challenges that face society, the skills requirements for new graduates and the study interests of prospective students.

Our research addresses global challenges and our graduates make a significant contribution to society.

Annual surplus is reinvested to support delivery of our Vision.

We recruit the best colleagues from around the world who undertake both blue-skies and applied research, often funded externally and delivered in partnership with other organisations.

Students pay tuition fees, and we also generate income from formula-driven government grants, the licencing of IP, commercial operations, investment income and donations and endowments.

Our research-led teaching is a distinguishing feature that helps us to attract the brightest students from across the UK and around the world, regardless of background.

Our Vision and Value Creation Model is assured by effective governance

Read more:

Our Vision and Strategy **pages 26-39**

Corporate Governance **pages 59-64**

Financial Review **pages 52-58**

Independent Auditor's Report to Council **pages 69-70**



Aspirational Outputs

Outputs can be measured in a number of different ways. For more information on how we measure success, see pages 28-29.

Student satisfaction

Excellent scores in student satisfaction surveys across all disciplines

Graduate destinations

High rates of graduate employment in professional jobs or further study

Colleague engagement

Excellent results in our colleague engagement survey

Research outputs

High proportion of research outputs rated world-leading or internationally excellent

Reputation

Enhanced global reputation for education and research

Balance sheet

Strong cash balances to invest for the future and ensure financial sustainability

The value shared

The financial and non-financial value we create is reinvested to support delivery of our Vision and to the benefit of our stakeholders.

Local community

We develop over £800m pa in GVA contribution to the northern regions and work with local communities to attract jobs and investment to the region.

Students

We reinvest in our teaching and learning facilities for current and future generations of students.

Alumni

As we support graduates into professional employment or further study, we create and sustain a global network of engaged alumni.

Colleagues

We develop and reward our colleagues and seek to grow our academic base by reinvesting in facilities and new appointments.

Funders and regulators

We work with research funders and government agencies to share the value we create and to develop new opportunities to address societal challenges.

Partner organisations

We nurture and develop close partnerships with employers and other universities to leverage additional value.

Working to address UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) are 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. We are increasingly aligning our academic and engagement activity to create value for the society we live in by helping to make progress towards achieving these goals. This section gives a snapshot of some of our work in the past year.



Efforts to tackle child poverty in the region got a renewed boost in April 2019 when it was announced that we would host the North East Child Poverty Commission.



Our research in food systems is developing the innovative tools and technologies needed to tackle food security, prevent malnutrition, address pesticide and herbicide resistance, adapt to climate change, conserve water resources and combat land degradation.



Our computing scientists and medics joined forces to improve paediatric services and help to increase the survival rates of children with blood cancer in Malawi by speeding up their diagnosis.



A study led by Professor James Law for the Education Endowment Foundation and Public Health England found that parents and carers who regularly read with small children give them a language advantage of eight months. The youngsters have better receptive language skills.



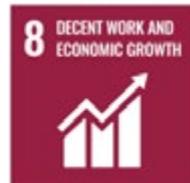
We organised the Girl-Kind project, a series of workshops to explore the experience of young women growing up in the North East of England. This gave them a chance to celebrate their achievements, address their struggles and let people know what they're thinking.



UK Research and Innovation announced £200m funding for 12 global research hubs. Two of the 12 hubs will be led by our experts, addressing the most pressing issues around future water security and the safeguarding of river deltas and their communities.



Research led by us and published in *Nature Chemistry* in May 2019 described the first thermodynamically-reversible chemical reactor capable of producing hydrogen as a pure product stream – a 'transformational' step forward for the industry.



We organised a series of interactive workshops and presentations to raise awareness of career opportunities in the built environment. The event provided a day of learning and engagement for five local schools and over 140 students.



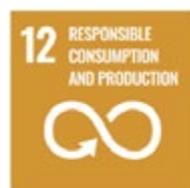
A new hub, involving experts from Newcastle, Sheffield and Strathclyde universities, aims to put UK manufacturing at the forefront of the electrification revolution, combining expertise in electrical machines and manufacturing for the first time.



New research published by the Institute of Health and Society in the *Journal of the Royal Society of Medicine*, shows that increasing use of the private sector for hip surgery in England is driving down NHS provision. If these trends continue, then widening inequalities are likely.



Our researchers analysed trade-offs between different sustainability objectives including; minimising climate risks such as heatwaves and flooding, reducing emissions from transport, constraining urban sprawl, ensuring adequate living space, and protecting green space.



Our research showed the REFUSE community café which serves up meals from waste food has become a valuable asset to Chester-le-Street since opening in April 2018. The café has tackled loneliness, helped customers eat more healthily and try new kinds of foods.



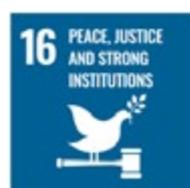
In April 2019 we signalled our commitment to climate change action by joining a number of organisations in the UK and all over the world to declare a climate emergency. We have set a target to achieve net-zero carbon dioxide emissions by 2040.



'Capturing our Coast', led by us and culminating in 2018, was the largest ever citizen science project of its kind. The project investigated a number of threats to marine life and recruited more than 2,500 volunteers, surveying 1,800 sites and collecting 240,000 points of data.



Our research study found that land-based bird populations are becoming confined to nature reserves in some parts of the world – raising the risk of global extinction. We presented new insights into how we should view protected areas.



Professor Peter Stone OBE is the first ever UNESCO Chair for Cultural Property Protection and Peace, reflecting his career-long commitment to highlighting the importance of protecting the past. UNESCO has renewed the Chair for a further four-year period starting in 2020.



We pledged our commitment to the community as one of thirty universities to aim to deliver a Civic University Agreement. Vice-Chancellor Professor Chris Day said 'Newcastle has always been very proud to be a civic university. It's at the heart of everything we do.'

Materiality and risk

Material issue	Stakeholders impacted	Risks
<p>Perceived value for money The value of a degree and whether or not universities offer value for money has been subject to much debate. The Augar Review recommended a cut in tuition fees to £7,500 per year for all subjects from 2021 entry.</p>	<ul style="list-style-type: none"> • Students • Funders • Regulators • Colleagues 	<ul style="list-style-type: none"> • Income – lost fee income following a reduction in student fees would not be replaced in full. • Value for money – the University is not seen as providing value for money for students or taxpayers. • Education for all – the University does not offer opportunities to those from disadvantaged backgrounds.
<p>Impact of climate change The environmental crises facing the world and its societies are significant and growing. We have declared a climate emergency and set a net-zero carbon target, visibly leading the sector.</p>	<ul style="list-style-type: none"> • Students • Colleagues • The local community • Partner organisations 	<ul style="list-style-type: none"> • Impact of business travel – we need to reduce business travel emissions whilst recognising the importance of international collaborations to the University's ambitions. • Increased student mobility – we are committed to grow mobility opportunities for students, but this will inevitably lead to an increase in travel abroad, the impact of which needs to be considered.
<p>Engagement and culture We have a commitment to our people and to promoting a positive culture, which encourages our colleagues and students to excel. There has been national coverage of negative behaviours at UK universities and we are working to bring our guiding principles and values to life.</p>	<ul style="list-style-type: none"> • Students • Colleagues • The local community 	<ul style="list-style-type: none"> • Recruitment – inability to attract and retain talent so that we deliver the ambition of the University Vision and Strategy. • Engagement – colleague satisfaction and engagement may be affected by issues such as recognition for quality teaching and research. • Pensions – proposed changes to the pension scheme in the next 12 months may damage colleague satisfaction and lead to industrial action.
<p>Impact of competition The student recruitment market is increasingly competitive and we face increasing expectations from students. New consumer laws have led to an increase in complaints, appeals and legal action by students.</p>	<ul style="list-style-type: none"> • Colleagues • Funders • Regulators 	<ul style="list-style-type: none"> • Student numbers – failure to recruit to target (home or international) in a highly competitive and changing market. • Marketing – missed opportunity at application and acceptance stages threaten ability to recruit. • High-quality education – if we do not offer a high-quality education we risk losing market share.
<p>Brand and reputation Our core strengths need to be effectively communicated so we can positively build our brand and reputation. We aim to influence both locally and globally, and need a positive profile in order to achieve this.</p>	<ul style="list-style-type: none"> • Students • Alumni • The local community • Partner organisations 	<ul style="list-style-type: none"> • A consistent message of our Vision and Strategy is not communicated. • Risk of not securing positive recognition in the city, region and beyond. • Failure to provide a high-quality student experience impacts on reputation, recruitment and retention. • Failure to grow research power and intensity.
<p>Political environment Brexit continues to cause much uncertainty in the sector. Continued uncertainty around immigration, the status of international students and colleagues as well as funding for research makes forward planning difficult.</p>	<ul style="list-style-type: none"> • Students • Colleagues • Funders • Regulators 	<ul style="list-style-type: none"> • Potential changes in political policies may impact how the University recruits students and colleagues from the EU. • Reduced research funding as well as changes in how we collaborate in our world-leading research. • Regulatory changes may significantly impede the direction and delivery of the University's strategic priorities.

Like all organisations, we are affected by a large number of different risks that could have a material impact on our ability to create value over time. Although some of the risk factors are macroeconomic and likely to affect the performance of the higher education sector as a whole, others are particular to us and to our stakeholders.

Opportunities

- Industrial Strategy Challenge Fund provides an opportunity for universities to work together to make an impact in some of the UK's most deprived areas.
- Highlight that a degree is not just about money. Universities and students also have a huge benefit to their local communities.
- We are working to ensure that students from a wide range of diverse backgrounds are able to access a university education, thrive and feel a sense of belonging.

- We will ensure that our research is addressing real world problems including climate change.
- Research into sustainable diets, renewable energy and applied ecology matter more than ever and the university sector is uniquely placed to lead on this agenda. We will continue to deliver transformational change to improve sustainability for the benefit of the society.

- We have a clearly articulated and owned People Strategic Enabler and an annual people plan which will be in place from the start of new academic year 2019.
- We will seek to attract talented colleagues to the region, able to effectively drive and implement our strategy.
- A health and wellbeing plan and management standard was introduced in June 2019 and will allow us to positively engage with students and colleagues.

- Students bring with them a broad range of economic, social and environmental benefits to our region.
- Our ability to create value is closely linked to our ability to attract the brightest and best to study at Newcastle.
- Our Graduate Framework aims to ensure that our graduates achieve appropriate graduate level employment when they leave us.

- We are investing in new digital technology to improve our online presence.
- We have a rankings and reputation group which works to enhance our position as a world-leading university through education, research and engagement.

- We will ensure that via membership on various national bodies we are acting effectively, and that we are constantly seeking opportunities that allow the University and the region's voice to be heard on a national scale.
- We are working with our international academic networks and partner universities to enhance our capacity and reputation.

Impact on our strategy

- Our Engagement and Place Strategy brings together the civic contribution of our education and research. It aims to improve the social mobility of people from under-represented and disadvantaged backgrounds.
- Our Education Strategy includes a programme of investment into teaching and learning facilities which includes space, facilities, technology-enhanced learning and student systems as well as academic capacity. This is to ensure our students are supported to fulfil their full potential.

- Our Research Strategy aims to transform society through the application of our research. We will provide leadership in identifying and responding to societal needs including those addressed by the UN Sustainable Development Goals.
- We are among the most sustainable universities in the UK and we have a deep commitment to managing our footprint in a sustainable manner.

- Our Engagement and Place Strategy includes an initiative to embed the values and practices of social justice across the work of the organisation.
- Our People Strategy will help us attract and retain the best people as well as create a culture of innovation and aspiration.

- Our Education Strategy includes a graduate framework which will support and prepare students to shape the profession they choose as well as the societies in which they live.

- Our approach to brand and reputation cuts across all four strategies and we recognise that reputation is ultimately driven by our underlying performance.

- Our Engagement and Place Strategy seeks to develop cross-university academies which equip academic and professional staff with the skills to influence policy debates locally and globally.

Our approach to risk management

	Role	Responsibility
Council	Oversight	To approve the risk strategy and risk appetite.
VC and Executive Board Members	Ownership	To own and review effectiveness of the risk management strategy.
Audit, Risk and Assurance Committee	Challenge	To review with individual risk or control owners, the effectiveness of their approach.
Internal Audit	Assurance / Testing	To report on the effectiveness of the risk management strategy and process.
Risk Management Adviser	Coordination / Advice	To promote the implementation of the risk management strategy. To maintain and develop the systems that support risk management.

Risk cannot be eliminated entirely and our approach is to be risk aware rather than risk averse. Taking risks is part of our normal business process, and effective risk management is key to ensuring that we achieve our strategic objectives.

We regard effective risk management to be the systematic identification, evaluation and control of risks that threaten the strategic objectives, service delivery and assets of the University. The systems and procedures that we have put into place will allow the risks we face to be identified and understood so they can be better managed in order to reduce the likelihood of occurrence and the potential impact.

Our risk governance arrangements seek to ensure that we have visibility and alignment of principal risks and material issues supported by effective communication. Key to the success of our risk management is collaboration between risk management, sustainability, business continuity, health and safety, finance and internal audit. It is through strong collaboration with both internal and external stakeholders that we are able to identify our principal risks and assess their materiality.

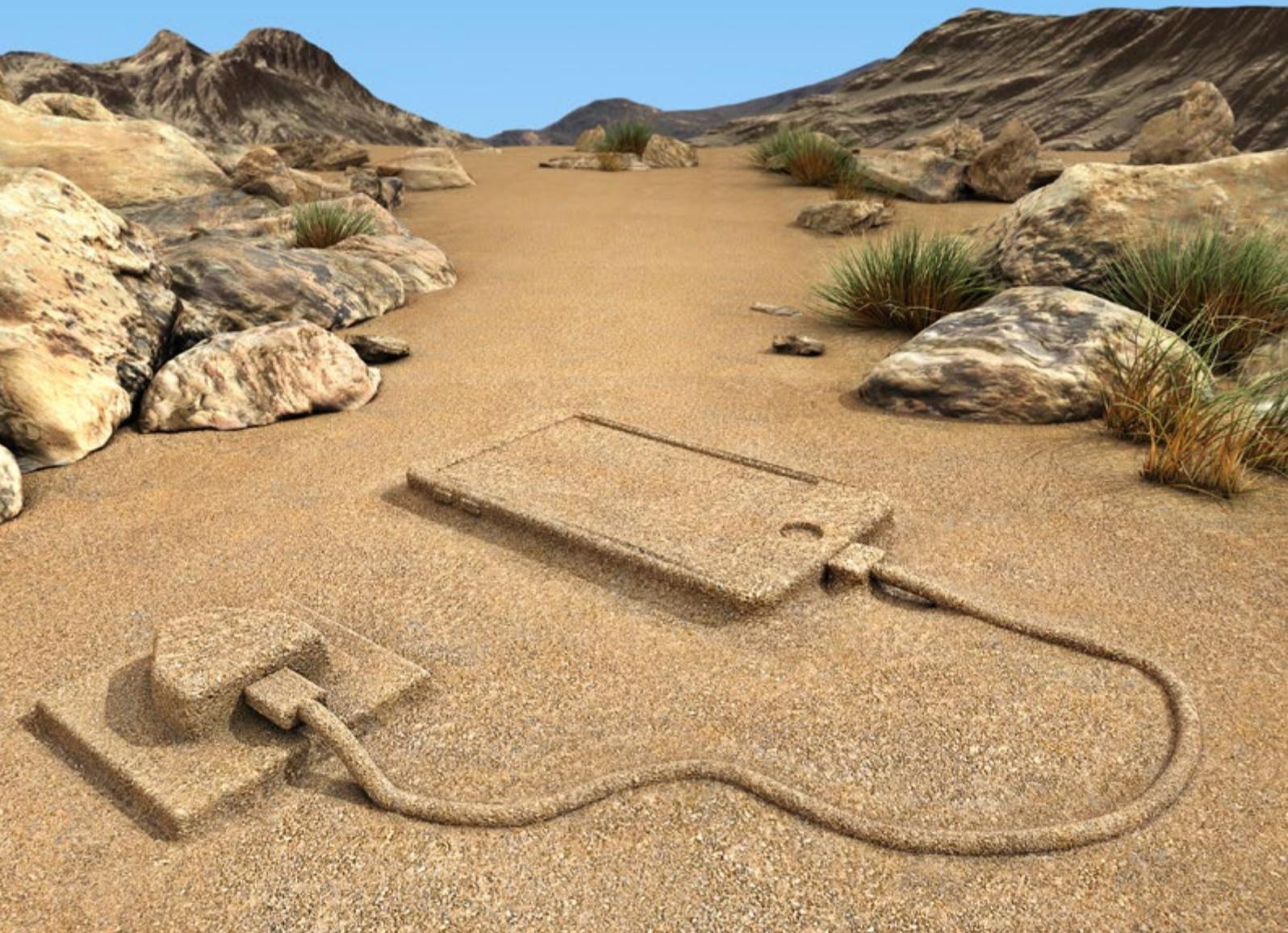
As an organisation, we identify risks and assess their material significance through regular discussion of our strategic risk register at Executive Board, Audit, Risk and Assurance Committee and Council.

This, and ongoing communication with other stakeholders, has enabled us to identify the material issues that are most likely to affect value creation.

We have a Risk Management Adviser, whose remit includes coordination of the risk management strategy, review and maintenance of the strategic risk register, tracking of control measures and ongoing review of risk indicators.

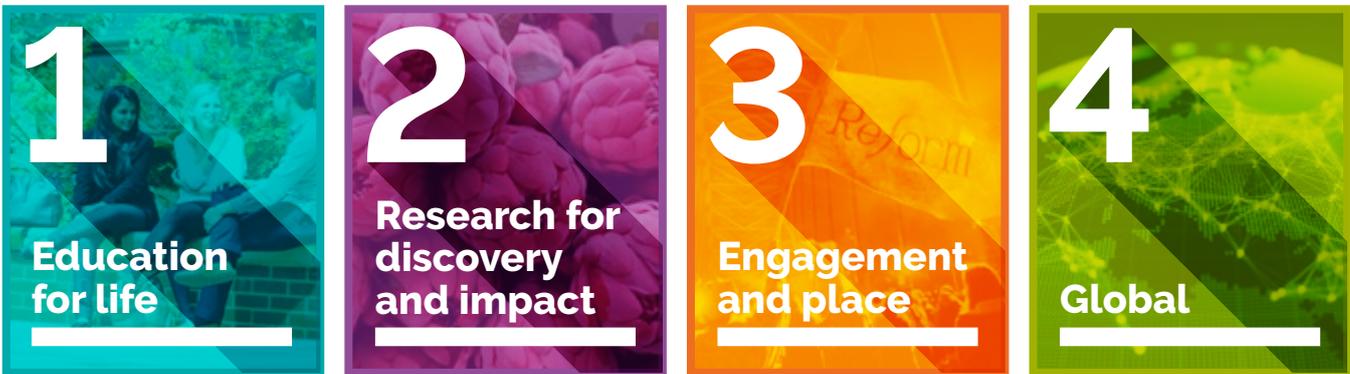
Health and safety risks are discussed in more detail on page 63 and treasury risk on page 57.

Dr Neal Wade, a lecturer in Power Systems in Newcastle University's School of Engineering, is leading a project to develop much-needed energy systems for areas without access to modern power sources.



Our Vision and Strategy

The Strategic Review (pages 26-39) describes our Vision and Strategy, maps progress made during 2018–19 and looks ahead to the future.



We exist for the public benefit to advance education, learning and research. Our Vision is to build on this core purpose to address global problems through excellence in education, research and engagement and, in doing so, provide new knowledge and creative solutions that make a positive impact on the society we serve. Our Vision expresses our collective sense of purpose and our aim to work collaboratively to shape brighter futures, grow the economy and champion social justice.

Values

Newcastle University is known for its longstanding commitments to equality, diversity, inclusion, respect and social justice. Our new Vision builds on these core values and identifies three aspirational values that inform everything we do and which guide us as we develop and grow as an institution.

- | | |
|-------------------|--|
| <i>Excellence</i> | Enabling our colleagues to realise their twin ambitions of leading the way globally in their areas of research expertise while also providing an outstanding educational experience for our students. |
| <i>Creativity</i> | Being creative and innovative to advance knowledge and engage with society to address global problems. |
| <i>Impact</i> | Working in partnership with governments, industry, the creative and cultural sector, and community groups to identify the current and future challenges faced by society and to provide innovative ideas and solutions that make a difference. |

Guiding principles

Our guiding principles have been identified from the key characteristics of our high-performing academic and professional units. They underpin the objectives of each of our core strategies.

<i>Working together</i>	Our aim is to be recognised for effective partnership working; this refers to working together internally – colleagues and students, academic and professional colleagues, across and between disciplinary boundaries and faculties – and externally with our various stakeholders.
<i>Visibly leading</i>	We are recognised globally for a number of strengths including Ageing and Health, Energy, Data, Cities, and Culture and Creative Arts. In all of our activities our aim is to promote and support these existing strengths while facilitating the development of emerging areas of world-leading education and research.
<i>Freedom and opportunity to succeed</i>	Our people, colleagues and students – past, present and future – are at the heart of our strategy. Our aim is to support their ambitions and allow them to reach their full potential by providing them with environments and opportunities that inspire excellence, creativity and impact.
<i>Responding to current and future challenges</i>	Our priorities in both education and research will respond more proactively to the demand side of the knowledge economy and be guided by the societal challenges facing the world now and in the future.

Core strategies

Underpinning our new Vision and Strategy, we have four interconnected strategies. These cover our core functions of Education and Research, and the contexts in which we work to improve the economy, health and social wellbeing and cultural richness of the places in which we operate, and to influence globally.

In the following sections we describe the progress that has been made in 2018–19 against the headings of our core strategies, and we look ahead to the future.

<i>Education for Life</i>	Engaging, challenging and supporting students to discover and fulfil their potential.	Read more Pages 28-30
<i>Research for Discovery and Impact</i>	Catalysing transformative research within and between disciplines.	Pages 31-33
<i>Engagement and Place</i>	Improving the economy, health and social wellbeing and cultural richness of the places in which we operate.	Pages 34-36
<i>Global</i>	Being a globally inclusive institution.	Pages 37-39

We summarise our progress overall and for specific key indicators using traffic light ratings.

The key to these ratings is:

-  **Green: Good** – progressing well against our objectives
-  **Yellow: Satisfactory** – broadly on track but some issues to address
-  **Amber: Medium Risk** – some material issues and risks to be addressed
-  **Red: High Risk** – serious concerns

Education for life

Engaging, challenging and supporting students to discover and fulfil their potential.

Overall Assessment
Medium Risk

1

Education for life

Priorities

We have one priority for the education we offer, wherever or however delivered: to provide all our students with an education for life, that engages, challenges and supports our students to discover and fulfil their potential both while they are studying with us and once they have graduated. To deliver this commitment, our strategic educational aims are to:

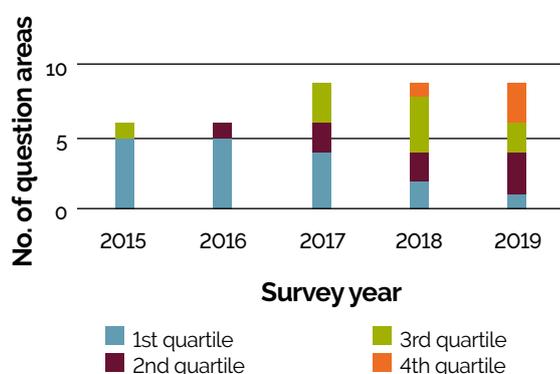
- Provide an outstanding educational experience rooted in strong disciplines and enhanced by a broad range of experiences.
- Encourage and promote opportunities for multi- and interdisciplinary encounters.
- Maintain and promote the academic rigour and stretch of our programmes.
- Inspire, challenge, support and care for our students.
- Provide an inclusive and international collaborative learning community.
- Empower our students to be creative, innovative, enterprising and global in their outlook.

Measuring success

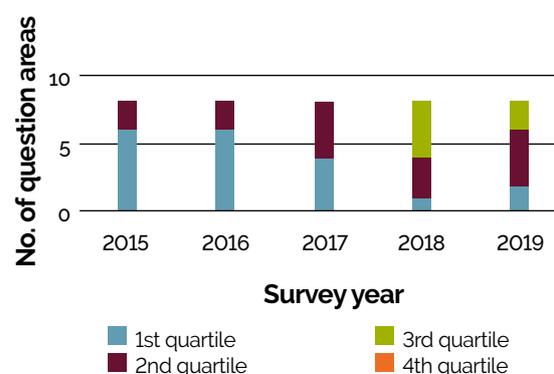
Indicator	Target	Status
Student feedback: the feedback from students across all levels of study and at each campus location	Top quartile of UK HEIs in each of the domains in student surveys: NSS, PTES and PRES by 2025/26 with similar targets at subject level.	
Student continuation: continuation and completion rates of students who choose to study with us regardless of background	Top 10% of UK HEIs for undergraduate continuation and taught postgraduate completion with similar targets at subject level.	
	Submission rates for research degrees to be at least 80% within 4 years for full-time students and 65% within 7 years for part-time students.	
Graduate destinations: what our graduates do and the proportion in graduate-level employment	Top 10% of UK HEIs for graduates progressing to graduate level employment or further study with similar targets to be reflected at subject level.	
Attainment gap: supporting student success and progression irrespective of background	Targets defined in our Access and Participation Plan https://www.ncl.ac.uk/who-we-are/structure/access-and-participation/	

A key measure of success is our performance across a range of national student experience surveys. Each of these national surveys asks questions across a number of areas (eg teaching, assessment, learning resources). The following charts focus on our comparative performance, showing where we are placed against other full service HEIs in terms of the quartile of this group:

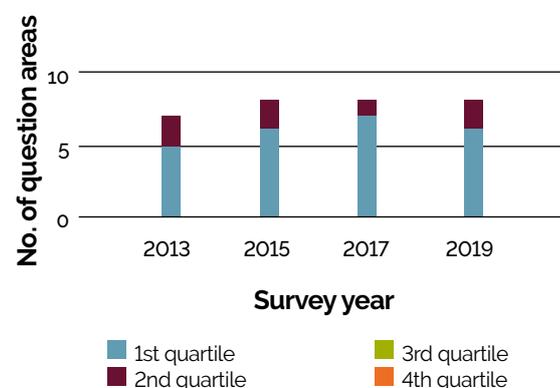
National Student Survey (NSS) results by question area



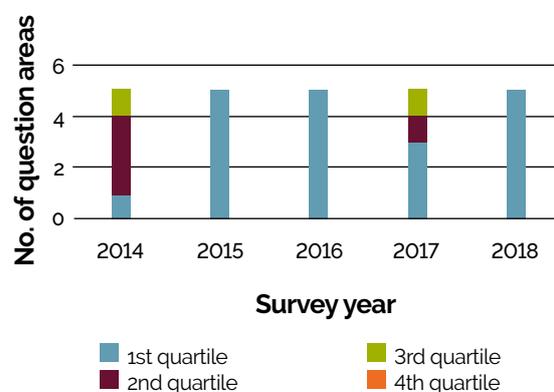
Postgraduate Taught Experience Survey (PTES) results by question area



Postgraduate Research Experience Survey (PRES) results by question area



International Student Barometer (ISB) results by question area



PRES surveys are only conducted every two years.

National Student Survey

Question area	2018		2019	
	Overall score	Peer group quartile	Overall score	Peer group quartile
Overall satisfaction	86	1	85	2
The teaching on my course	84	3	84	2
Learning opportunities	82	3	81	4
Assessment and feedback	69	4	67	4
Academic support	80	2	79	3
Organisation and management	76	2	77	2
Learning resources	89	1	89	1
Learning community	77	3	75	4
Student voice	67	3	73	3

Progress during the past year

NSS overall satisfaction fell slightly from 86% to 85%, placing us 34th among full service universities (28th in 2018) and eighth in the Russell Group (fourth in 2018). Overall satisfaction in the Postgraduate Taught Experience Survey (PTES) rose from 78% in 2018 to 82% in 2019, while overall satisfaction in the Postgraduate Research Education Survey (PRES) fell slightly from 85% to 84% between 2017 and 2019. This placed us in the third quartile nationally for PTES, and in the first quartile for PRES.

Performance varied noticeably between undergraduate and postgraduate levels. The downward trend in NSS results at undergraduate level continued, with comparative performance declining in three of the eight question areas and only improving in one (teaching). The only area in which we were placed in the top quartile was learning resources. In PTES, four of the eight question areas saw a rise in performance compared to other universities and only one domain experienced a fall (organisation and management, from second to third quartile). We were placed in the top quartile for two areas (resources and services and information). Performance remains strongest for research degrees, where PRES shows we are in the top quartile for six of the question areas. Results from all these surveys are being reviewed by academic units to generate action plans to identify areas of provision for enhancement. In addition, the priorities identified in our

education strategy will seek to deliver improvements in the educational experience for all our students.

A different pattern was evident in the International Student Barometer results, where overall satisfaction was maintained at 93% and we were placed in the top quartile of UK universities for all other question areas.

We are committed to supporting the holistic development of our students, to enable them to fulfil their potential while studying with us and after graduation. To support this work in 2018 we developed and approved a new graduate framework that sets out the attributes that a Newcastle education develops in our students. We are now aligning our academic and extra-curricular education and provision with this new framework, alongside continuing to implement our employability and enterprise strategy.

Opportunities to develop graduate attributes are threaded through our programmes and our co-curricular and extra-curricular provision. 639 students from all four of our locations completed our ncl+ award in 2018-19 (543 in 2017-18). This award is included in degree transcripts and the Higher Education Achievement Report. A further 140 students completed one of our five ncl+ advanced awards and 650 students were nominated for *Pride of Newcastle University Awards* (595 in 2018). Work experience opportunities are made available through paid internships with local businesses (184 internships in

2018-19) and 1,293 students worked part-time on campus. The number of students undertaking a placement year increased by 26% to 546, some 10% of our eligible students. Meanwhile, 440 students completed a career development module (498 in 2017-18).

Another core aim of our strategy is that our students perceive starting a business to be a viable career option. Supporting this, we offer elective enterprise and entrepreneurship modules, one day challenge events with academic schools, residential enterprise and innovation training events for early career researchers and we provide intensive start-up support. In 2017-18 the University ranked third in the UK for turnover among new graduate start-up businesses.

In terms of early career outcomes, as measured six months after graduation by the *Destination of Leavers from Higher Education* survey, 95.3% of our 2017 graduates were in work or study (94.6%, 2016), this percentage meeting our Higher Education Statistics Agency benchmark. Our performance on 'Graduate Prospects', meanwhile, showed further improvement, with 85.8% of our 2017 graduates in graduate level work or study (80.7%, 2016). This means that we were ranked 10th among all universities for the percentage of our graduates in professional or managerial employment, or postgraduate study, in each of the two of the key published league tables in the UK (Times and Complete University Guide).

Research for discovery and impact

Catalysing transformative research within and between disciplines.



Priorities

We aim to be a world-class research-intensive University that builds upon the excellence, creativity and impact of our research groups and scholars and on our distinctive attributes. These attributes include a broad disciplinary base at a scale that lends itself to collaboration, integration of teaching with research and engagement, use of real-world test beds for innovation, and deep partnerships in our region and beyond. Our attributes align well with the research funding environment in which multidisciplinary, capacity building, economic leverage and international partnerships are now national priorities.

Our research strategy sets the ambition for growth of people and resources to allow us to deliver our aims to:

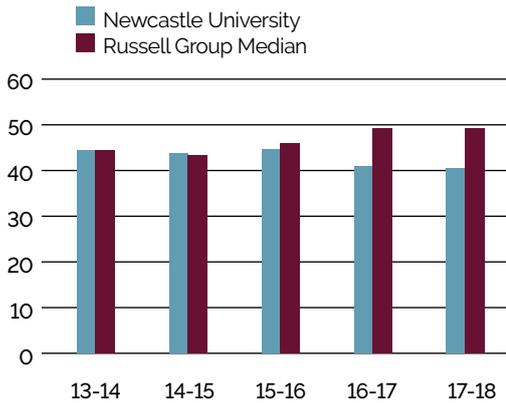
- Nurture excellent research and innovation that expands fundamental knowledge, addresses societal and global needs, supports sustainable economic growth and promotes health and well-being.
- Equip colleagues and students at all career stages with the skills to contribute to research and development in the academic, commercial, public and voluntary sectors.
- Foster inter-disciplinary approaches and partnerships with businesses and external agencies that extend the reach and impact of our research.

Measuring success

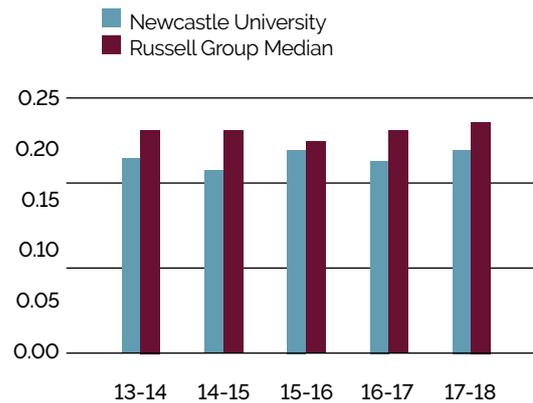
Indicator	Target	Status
Research intensity: our status as a research-intensive institution	Grow research income as a percentage of total income to the average of our peer group over five years.	
Research power: the number of colleagues who are research active and producing high-quality research	Increase the total number of teaching and research academic employment headcount on a trajectory to grow by 20% between 2018 and 2028.	
Outputs and impacts: a quality index, comprising a basket of indicators, evidencing sustained quality and impact of published outputs and impact case studies (primarily qualitative)	Increase the number of PGR entrants (with a focus on those funded externally) by 35% by 2024/25. Knowledge Exchange quality index – HEBCIS and KEF metrics evidencing collaboration with external partners for research and skills provision. Research culture index, comprising a basket of indices (primarily qualitative).	

We will know that we are achieving our ambition if we have the characteristics of a typical institution in the Russell Group, the group of world-leading research-intensive UK universities of which we are a founding member. Trends against Russell Group comparators are shown in the graphs below.

Research income per academic FTE (£k)



Number of PhDs graduated per academic FTE



Progress during the past year

Implementation of our research strategy involves 12 priority actions to give shape, coherence and priority to our future research. In this first year, we have made substantial progress, for example:

- Newcastle University Academic Track (NUAcT): We are growing our research community by recruiting and retaining 100 top early career researchers over the next five years. The first open call of our £30m NUAcT scheme was extremely popular with applications from candidates from 70 different nationalities. We made 21 NUAcT fellowship offers to both internal and external candidates from a wide range of disciplines.
- Newcastle Centres of Research Excellence (NUCoREs): We are developing a strong portfolio of NUCoREs in areas where we have excellent research that will benefit from growing diverse teams across disciplines. They will help us to tell a visible story about our leading research, enable our researchers to deliver challenge-led research

missions and help inform how we prioritise internal research investment.

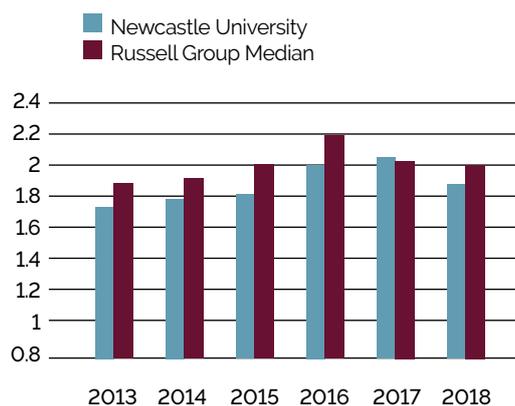
Five areas of particular strength where we are recognised nationally and internationally for the quality of our research are in Energy, Ageing and Health, Cities, Culture and Creative Arts, and Data. Other domains are emerging over time, particularly around NUCoREs. Indeed, over the past year, amongst many other examples, we have secured prestigious funding to deliver our world-leading research for discovery and impact on a global scale:

- We were awarded £16m funding for an NIHR Applied Research Collaboration to address health inequalities in the country and the prevention of poor health. The project will involve 56 organisations in the North East and North Cumbria.
- We are leading a €50m European Innovative Medicines Initiative project *MOBILISE-D* to establish digital assessment of loss of mobility and enable drug discovery and other interventions.

Our partners include 34 pharmaceutical companies and universities.

- We expanded our portfolio of doctoral training programmes with funding for nearly 200 new PhD studentships. We will lead the Natural Environment Research Council's new ONE Planet Doctoral Training Partnership. We will also be training the next generation of scientists and engineers via our Engineering and Physical Science Research Council Centres for Doctoral Training in Geospatial Systems, Power Electronics for Sustainable Electric Propulsion and Molecular Sciences for Medicine.
- We are addressing the most pressing issues around future water security and the safeguarding of our river deltas and their communities. The two UKRI Global Challenges Research Fund hubs bring together 94 organisations from 25 countries and draw on the expertise of scientists, engineers, geographers, architects and social scientists. Winning two GCRF Hub awards (of only 12 such awards around the UK) demonstrates

Field Weighted Citation Impact



our commitment to working in partnership across national borders and academic disciplines, via our Global Challenges Academy, to help deliver UN Sustainable Development Goals.

- Newcastle and Northumbria Universities were awarded jointly £8m from Research England's Expanding Excellence in England fund to establish the world's first Hub for Biotechnology in the Built Environment.

Many of these new projects are only possible because of our strong partnerships with external stakeholders, notably commercial businesses. We continued to perform very well in the national metrics used to assess collaborative research although this is weighted by work with the public and third sectors, particularly the NHS. Our spin-out activity, underpinned by our Northern Accelerator programme in collaboration with Durham University, continues to develop and has been highlighted as an example of best practice in a number of national

reviews and publications. Two of our most recent spin-outs, in digital health and advanced manufacturing, now employ over 40 people in high-quality, skilled jobs in the region.

Looking ahead

In October, we launched our first four NUCoREs in Data, Energy, Heritage and Regulatory Science, with further waves expected throughout the academic year. We will also launch the Skills and Enterprise Academies (joining the well-established Global Challenges and Policy Academies) to equip colleagues and students at all career stages with the skills to contribute to research and development in the academic, commercial, public and voluntary sectors. We will be welcoming newly appointed NUAct fellows throughout the year and supporting them as they join our research community. We continue to build the cohort and will be opening a second major recruitment round in early 2020.

The National Innovation Centres in Data and in Ageing will take up occupancy of The Catalyst building, a new environment for collaborations between researchers and innovators from commercial firms, universities, government and public services, and the public. Their progress will be a defining feature of the Helix campus project as a touchstone for innovation in the city, region and nation.

This year is a key period in the lead up to REF2021 to be submitted at the end of 2020. The more inclusive revised REF criteria will offer opportunities to emphasise the multi-disciplinary research across the University and the contribution of all of our colleagues to our collective success. The exercise also provides an important opportunity to refocus our priorities in research for the next seven-year cycle, and shape the future of a thriving research environment here at Newcastle.

Engagement and place

Improving the economy, health and social wellbeing and cultural richness of the places in which we operate.



Priorities

Our Engagement and Place Strategy sets our approach to engagement in six key areas:

- Engaging for economic benefit.
- Engaging for societal benefit (including improving the health and wellbeing of our place).
- Engaging from local to global.
- Engaging for cultural benefit.
- Engaging with policy and practice.
- Engaging for access and participation.

We recognise that these are artificial boundaries and that innovation in engagement happens across all of these areas. We are therefore committed to cross-sectoral working in the implementation of the strategy.

The strategy was launched with our external stakeholders in May 2019 as part of our *Vision in Action* day, which showcased the benefits Newcastle University brings to the North East region. A series of events took place throughout the day, shining a light on some of our many partners, ranging from businesses, schools, voluntary and community organisations to local authorities, the NHS and the cultural and creative sector.

Our guiding principle of 'Working Together' is at the heart of our work and we have made considerable progress in establishing a more coordinated approach to our engagement activities. We have done this by bringing together colleagues from across the University with our eight cross-cutting University Deans to support the delivery of the strategy. Following the appointment of our new Dean of Engagement and Place, Professor Jane Robinson, we have established a dedicated Engagement and Place Team.

Externally we are developing our key partnerships with civic organisations such as Newcastle City Council, Newcastle Upon Tyne Hospitals Trust and Northumbria University. These partnerships are vital to delivering our strategy and, following the findings of the national Civic University Commission, we have pledged to put the economy and quality of life of our local communities at the top of our priorities by developing a Civic University Agreement with our civic partners.

Measuring success

Indicator	Target	Status
Inclusive growth: the University's contribution to inclusive growth in the North East and develop a more prosperous economy and more equitable society	Increase our research income while supporting greater diversity in R&D investment in the North East.	
	Increase the number of sustainable start-ups, jobs created and investment raised by our start-up businesses based in the North East.	
	Increase the number and percentage of graduates who progress to graduate-level employment in the North East.	
Social mobility: improving social mobility by making our education and research as accessible as possible	Increase the proportion of new entrants from low participation neighbourhoods to achieve the target in our Access and Participation Plan.	
	Increase progression to higher education from low participation neighbourhoods and widening participation students from the North East in collaboration with NECOP partners.	
Mutually beneficial partnerships: the strength and breadth of our mutually beneficial partnerships	Targets to measure mutual benefits eg via stakeholder survey, creation of collaborative doctoral awards and KTPs, collaborative grant successes etc.	
	Increase the number of student placements and volunteering with partners.	

Progress during the past year

In the past year, we delivered a number of engagement initiatives including:

- The 'Vision in Action' day on 17 May 2019. This involved 10 separate events taking place across the North East region and at our Singapore campus.
- Establishment of the Social Justice Advisory Board, including academics, professional services colleagues and representatives from voluntary and community organisations.
- Creation of the Social Justice Fund, which has funded 10 partnership projects with Voluntary Community and Social Enterprise (VCSE) organisations - the projects were then showcased in a Social Justice publication.
- Building partnerships with key cultural organisations and developing work to support culture and creative industries with the City and North of Tyne Combined Authority.
- Working with partners to raise attainment and support student progression in the North East, with a particular focus on work with low participation neighbourhoods through our Access and Participation Plan.
- Appointment of our first Dean of Lifelong Learning and Professional Practice, with a role to consolidate a new approach to lifelong learning and professional practice with particular focus on apprenticeships and the skills agenda.
- Appointment of a Dean of Innovation and Business to catalyse links between academic and commercial partners and enhance research and development opportunities.
- Development of our international partnership with the University of Pittsburgh – we are working closely with them to develop a global network on place and will be convening joint international conferences over the next three years in both the US and UK.
- Acquisition of part of the former Newcastle General Hospital site to develop the Campus of Ageing and Vitality, working with our partners in the NHS and Newcastle City Council to create the world's premier centre for healthy ageing and living.
- The North East Cluster for Healthy Ageing and Independent Living (NE-CHAIN) has won early-stage funding from UK Research and Innovation (UKRI) to cultivate the ageing market in Newcastle and the North East and bring together community and volunteer groups, the NHS, care providers, businesses and universities to develop a larger bid for UKRI's Strength in Places Fund.
- Delivery of the Knowledge Exchange Seminar Series, a programme of events developed with policy makers from the seven local authorities that enables academics to present research on an identified list of policy challenges.
- A commitment to becoming a Real Living Wage employer and to work towards full accreditation with the Living Wage Foundation.
- A pledge to deliver a Civic University Agreement.
- Creation of internal facing programme of support including training and funding to strengthen our engagement activities.

Looking ahead

Our Engagement and Place Strategy sets out two transformative initiatives, designed to create a step-change in how our research and education activities deliver benefit outside of the University.

Embedding social justice

This initiative will help to ensure that social justice is embedded in all that we do from our research and educational programmes to our institutional procedures as well as the ways in which we collaborate with external partners both locally and globally. Social justice is about the distribution of society's benefits and burdens, and addressing the unfair outcomes that result from the coming together of social inequalities and institutions. We have identified nine themed areas and established the Social Justice Advisory Group, which brings together academics and practitioners working in these key social justice challenges in order to co-create

interventions and solutions. In 2018-19, we introduced the Social Justice Fund, designed to develop a portfolio of successful partnerships between the University and the Voluntary, Community and Social Enterprise sector. The group is also working to deliver a series of Social Justice Forums aligned to the nine themes. The first of these looked at the theme of *Race, Religion and Migration*.

Embedding engagement

If we are to excel in shaping and responding to the needs of society, our approach to public engagement needs to be clearly understood by our colleagues. Having Engagement and Place as one of our four core strategies demonstrates how central this is to our vision and this year we have been building on existing initiatives to provide an enhanced infrastructure to support delivery. We have developed a new training programme for colleagues including sessions looking at an introduction

to engagement, practical skills and evaluation. Future sessions will focus on engaging with different groups such as cultural partners, businesses, the voluntary and community sector and schools. We have strengthened communication around Engagement and Place through renewed web pages, a new internal newsletter and the Engage and Learn Forum. We have also introduced new funding schemes such as the Engagement and Place Fund and going forward new colleague welcome events will ensure that all colleagues have an understanding of our approach to engagement. All of these initiatives, alongside increased capacity within the central team, will help to ensure that our colleagues have the support required to strengthen their engagement activities. We are also exploring the use of the EDGE Tool, developed by the National Centre for Coordinated Public Engagement, to assess how embedded engagement is at Newcastle University.

Two students from our inaugural Masters' degree programmes in Singapore at work in the University's research facility.



Global

Being a globally inclusive institution.



Priorities

Our Global Strategy comprises a number of major projects, which will be key in extending our impact further in education and research. These include:

- Opportunities in and beyond Europe post Brexit.
- International partnerships and networks.
- Mobility for students and colleagues.
- Developing our presence in South East Asia.
- Taking forward regional interest groups.

Measuring success

Indicator	Target	Status
Global research profile: the profile of our internationally excellent and impactful research	Increase the number / percentage of internationally co-authored papers.	
	Maintain (or improve) our market-share of non-UK research grant income.	
International student community: the diversity and volume of our international student community across all campus locations	Increase the diversity of the non-EU student population by growing the number of countries where the student population is >50 from 12 to 20.	
	Grow the number of non-EU students to at least 20% of the overall Newcastle-based population.	
	Increase student mobility for undergraduate students and work towards a target of 25% benefitting from an international experience.	
Global networks: building our international partnerships, improving colleague mobility and enhancing alumni engagement	Engage at least 5% of the global alumni population in key programmes and ensure visibility of diverse alumni community.	
	Improve colleague mobility through our Global, Skills, Policy and Enterprise academies to grow capacity and raise the global profile of the region.	
	Develop our presence in South East Asia with sustainable growth targets and develop our portfolio of strategic partnerships in other regions.	

Progress during the past year

In the past year, we saw very clear evidence for a year on year rise in international students and a consolidation of our position as one of the top 150 universities in the world in two of the three principal world ranking tables.

World University Ranking Tables	2015	2016	2017	2018	2019
Leiden	104	114	105	132	91
QS World University Rankings	162	168	161	141	146
Times Higher Education	196	190	175	171	201-250

We continue to see evidence that our operations outside of Newcastle allow us to develop partnerships, perspectives, innovations and solutions for education and research that we could not achieve in Newcastle alone. This physical presence is strengthened by over 300 collaborative agreements with universities and institutions around the world, a diverse community of students from over 140 different countries, colleagues from over 90 countries and our global alumni network.

We signed Memoranda of Understanding with leading national universities such as Uppsala University, Vilnius University, and IIT Madras. The Vice-Chancellor and President led delegations to North America and South East Asia, supporting a range of new initiatives and visiting key partners including Pittsburgh University and Nanyang Technological University. Fundamental to our Global Strategy is the nurturing of an environment that places international ambition and activities at the centre of our everyday thinking and working. We won two Global Challenge Research Fund projects in Living Deltas and Water Security worth £36m that between them involve 61 universities or other organisations outside the UK.

International student experience

We support more than 200 Erasmus+ student and colleague exchange partnerships with European institutions as well as over 50 non-EU student exchange partnerships. Outgoing and

incoming students grew from 437 in 2017-18 to 644 in 2018-19. Erasmus+ student and colleague mobility funding (received from European Commission) grew from €849,000 to €1,203,000 in 2018-19. We were one of a limited number of UK universities to mitigate the uncertainty caused by Brexit by committing to underwrite the cost of Erasmus grants in the event of a no-deal Brexit, should the government refuse to do so. The International Student Barometer Autumn 2018 results showed that we had maintained the high level of satisfaction among students from around the world, with 93% of respondents stating that they were satisfied with the University overall.

Global challenges

Through the Global Challenges Academy, we are building equitable and mutually beneficial partnerships based on respect, transparency and integrity. The focus we have placed on Global Challenges has yielded significant results. We are the only UK institution to have won two prestigious GCRF Hubs, developing partnerships around Sustainable Development Goals (SDG's) and attracting £33m of funding. Our aim is to play an internationally leading role in the SDGs and we have engaged with a range of international partners to explore what this means and how it might be done, and continue to do so. A new World Ranking published by The Times Higher Education ranked us 23rd in the world for our commitment to sustainable development. This inaugural 'Impact

and Innovation' award recognised 500 global universities for their efforts around such things as climate change action and sustainable consumption.

Global alumni network

We engage our global alumni network through inspiring, value-led communications and opportunities, and we are always looking to provide new and innovative initiatives to build affinity and strengthen Newcastle University's global reputation. Over a quarter of our graduates are based outside of the UK, in more than 180 different countries across the world. We held a large number of events outside of the UK in 2018-19, including thought leadership, professional development, employability and networking opportunities. Our international alumni ambassadors and volunteers gave over 3,000 hours of their time to support international student recruitment, student employability, global education and reputation building initiatives.

Partnership development

We have continued to strengthen our portfolio of global partners, building on both the 14 University-level partner institutions and the hundreds more led by academic units and individual academic colleagues. Our new Global Strategy places a stronger emphasis on alignment of partnership objectives and activities with the strategic aims set out in the University Vision and Values, the other new University strategies, and academic unit strategic plans. For example, a number of virtual interactions and high-level visits with



Student dancers in a range of traditional Malaysian costumes to celebrate NUmEd Malaysia's 10th anniversary.

the University of Pittsburgh in the past year resulted in the recognition of both universities' long-standing track-record and commitment to their cities and regions. The leadership of both universities have agreed to take forward the idea of strategic partnership based around Place and will hold a conference in 2020 to commence implementation of this vision. We deepened our relationship with Monash University with the creation of a £1.7m joint fellowship scheme, initially focusing on drug discovery, which will support our NUAcT programme and development of collaborations in research and education between both universities.

Our locations

Our sites in Malaysia and Singapore continue to build and strengthen. In 2019, we opened our primary care centre in Johor Bahru. The table (below) shows our teaching in locations outside Newcastle:

Location	Provision	Students at 1 December 2018
Malaysia	Undergraduate Medicine (MB BS), a BSc in Biomedical Sciences and some professional development provision	754 undergraduate 5 postgraduate
Singapore <i>in collaboration with Singapore Institute of Technology</i>	Programmes in marine engineering, naval architecture, offshore engineering, mechanical design and manufacturing engineering, electrical power engineering and chemical engineering	632 undergraduate
Singapore	A growing portfolio of postgraduate programmes	73 postgraduate
London <i>in collaboration with INTO</i>	Degree programmes in business-related subjects and pathway programmes	338 undergraduate 160 postgraduate

Our People: students and colleagues

This section (pages 40-51) identifies the strategic enablers, or inputs, we draw upon to support our core activities of education and research.

Our ambition is to be recognised as a forward thinking and people centric organisation which attracts outstanding students and colleagues. The people strategic enabler is built on the robust foundations of our guiding principles and core values. The values of equality, diversity and inclusion, social justice, and academic freedom encourage excellence and creativity with the desired impact in our colleagues and students. We place a strong focus on colleague development and progression based on the current and future requirements of the University's vision, goals and aspirations.



Students

We are a selective institution committed to widening participation (WP) and equality of opportunity across the student lifecycle. We aim to recruit academically-able, highly-motivated and enthusiastic students of all ages and backgrounds, and to provide an education for life, leading to strong retention and employability outcomes and opportunities for all our graduates to fulfil their career aspirations.

We are committed to working in partnership to identify and remove the barriers to higher education that students from under-represented groups face, as well as supporting the individual needs of schools and colleges in the region. We lead successful national and regional *Widening Participation* partnerships with outstanding relationships with schools, colleges and education

partners to ensure we are pro-active and relevant in meeting the needs of schools and colleges.

Our flagship PARTNERS Programme is available to eligible students from all schools in England, Northern Ireland and Scotland. From 2020 entry, this will open to eligible students across the UK. Applicants to PARTNERS decreased slightly from 1,785 in 2017 to 1,610 in 2018 but this was the second highest ever number of applicants. In 2018, PARTNERS students accounted for 57% of the University's WP intake and 8.9% of all new registrations.

Our Access and Participation Plan commitments include a long-term sustained progressive outreach programme for students from primary age through to Year 13/final-year-college, and includes activities targeted at hard to reach groups, such as young carers, care leavers and

white working class males. Our highly professional Recruitment Teams and Graduate Ambassadors delivered activities to over 230,000 students, including more than 1,500 students who attended residential summer schools.

Within the context of such a broad recruitment base, student mental health is a growing challenge for all universities, and we are no exception. Our Health and Wellbeing Service recognises this and is constantly looking at ways to expand provision and accessibility of support for Newcastle students. Initiatives during the year have included the introduction of an online CBT platform called 'SilverCloud', a suite of wellbeing workshops, appointments offered from the Students' Union, partnership work with the Sports Centre and the continuation of the evening counselling service, which

also sees input from specialist services such as Rape Crisis and the local eating disorder service.

Sport also continues to enhance our student experience with 8,392 students (8,350 in 2017-18) and 218 colleagues taking out Sports Centre membership. These members made 221,874 visits to the Sports Centre, took part in 1,516 exercise classes, played in 1,009 matches on our grass pitches and participated in 2,422 hours of sport on our all-weather pitches. Our intra mural program, meanwhile, involved 3,631 participants playing 1,259 fixtures in 277 teams across 10 sports – supported by 282 Intra Mural volunteers who between them contributed 9,116 volunteer hours as team co-ordinators, officials, sports activators and first aiders.

In performance sport meanwhile, we retained our Top 10 ranking in British Universities and Colleges Sport (BUCS), and have now achieved this level in five out of the last seven years. Our teams included 141 sports scholars, who between them achieved 25 age group or full international selections during the year. We have also developed sporting partnerships with a range of organisations to enhance the sporting offer to our students, including the RFU, Newcastle Falcons, England Lacrosse and Newcastle Knights, GB Rowing, ASA and Newcastle Swim Club, Northumberland Club and Talented Athlete Scholarship Scheme.

Total registered students as at 1 December 2018 were 28,669, a 2% increase compared to 1 December 2017. Within that, students in London increased by 23% to 498, and although there were small reductions in international students studying at both Newcastle and Singapore, there continues to be a small expansion of provision in Malaysia.

Since 2013, home UK and EU students based in Newcastle have increased by 30% while international students have decreased by 7%, an overall increase of 22% over five years.

Total students at 1 December	Full-time	2018 Part-time	Total	2017 Total	Change %
Undergraduate					
Home and EU	18,075	52	18,127	17,226	5%
Overseas	2,009	7	2,016	2,175	-7%
Total	20,084	59	20,143	19,401	4%
Postgraduate					
Home and EU	2,639	1,402	4,041	4,292	-6%
Overseas	2,415	108	2,523	2,544	-1%
Total	5,054	1,510	6,564	6,836	-4%
Other locations					
London	479	19	498	404	23%
Malaysia	754	5	759	748	1%
Singapore	672	33	705	708	-0.4%
Total	1,905	57	1,962	1,860	5%
Total	27,043	1,626	28,669	28,097	2%

Colleagues

Recruiting highly talented people locally, nationally and internationally, through inclusive recruitment practices remains one of our top priorities. We extended our support for international colleagues in response to the uncertainty caused by the ongoing Brexit situation. We were delighted to assist a substantial number of our European colleagues and their families to secure their rights to live and work here in the UK following Brexit under the new EU Settlement Scheme. During the last year, we actively engaged with sector consultations regarding the government's proposal for the UK's future skills-based immigration system, contributing to the shaping of a system that will enable the University and UK to remain an attractive place for talented people to come to live and work.

A key focus during the last year has been the project to deliver our new e-recruitment solution and career site, both key enablers to the transformation of our high volume recruitment as the University has grown, improving our international reach and candidate experience. Our new site went live in September 2019.

The new e-recruitment solution is the first phase of our broader digital transformation programme working towards the creation of a fully integrated suite of People systems, enabling the organisation with easily accessible and better quality data in a more consumable format.

Full-time equivalent colleagues were 5,799 as at 31 July 2019, an increase of 125 (2%) from 31 July 2018.

Equality, Diversity and Inclusion (ED&I) remain key values for our work. This year has seen success in gaining Athena SWAN bronze awards in our Schools of Computing, Engineering and Natural and Environmental Sciences and a silver award in our Faculty of Medical Sciences. We signed up to the sector's Race Equality Charter and are committed to becoming a University of Sanctuary, actively supporting asylum seekers and refugees.

Working to align our practices with our values, with a particular focus on social justice, we took the decision that all of our colleagues should be paid the Real Living Wage from 1 August 2019. Over 680 colleagues will benefit from a boost to their pay and we will extend our impact on the local economy during 2019-20 as we look to become an accredited Real Living Wage employer.

We have been active contributors to the sector-wide debate over existing and future USS pension provision; however the threat of industrial action over pensions and pay remains a challenge looking ahead to 2019-20.

We prioritised Executive Board development this year with self-awareness work for individual members and whole team interventions to develop more effective ways of working together. There was, and will continue to be, a key focus on the Executive team role modelling the University's values and recognising and rewarding other leaders who do the same.

This investment in Executive Board development will continue well into 2020 with further group events and cascaded activities plus continued coaching and 360 degree feedback exercises for individual members.

As the University continues to work to create a culture that will support its strategy and vision, this year over 700 colleagues have been involved in activities designed to review and improve our people processes including appraisal and academic promotions. The Engage and Aspire project was established as a University-wide project tasked with understanding how we can support all colleagues to flourish and be the best they can be and at the same time realise the University's goals and aspirations.

Notable awards during the year

Professor Dame Louise Robinson was awarded DBE for services to Primary Care and for improving older people's quality of life and care they receive.

Professor Sinéad Morrissey, Professor of Creative Writing, was elected as a Fellow of the Royal Society of Literature.

Professor Martin Embley, Professor of Evolutionary Molecular Biology, was elected as a Fellow of the Royal Society.

Professor Mary Herbert, Professor of Reproductive Biology, was elected as a Fellow of the Academy of Medical Sciences.

Professor Jane Pollard, Professor of Economic Geography, was elected as a Fellow of the Academy of Social Sciences.

The Vice-Chancellor's Academic Distinction Awards were made to Professor Dame Louise Robinson, Regius Professor of Ageing, and Professor Ashley Adamson, Professor of Public Health Nutrition.

Professor Herbie Newell was awarded CBE for services to Medical Research and Drug Development.

Professor Stephen Graham, Professor of Cities and Society was elected as a Fellowship of the British Academy.

Professor Doug Turnbull, Professor of Neurology was elected as a Fellow of the Royal Society.

Professor William Maloney, Professor of Politics, was elected as a Fellow of the Academy of Social Sciences.

Professor Sharon Mavin, Director of Newcastle University Business School, was elected as a Fellow of the Academy of Social Sciences.

Mrs Lesley Braiden, Director of Student Services, received the Vice-Chancellor's Distinguished University Contribution Award, the first recipient of this award recognising major sustained contribution to the overall academic endeavour of the University.

The sustained quality of our researcher support was recognised by the achievement of an HR Excellence in Research Award for the 8th year. The award is made through independent, external review of our researcher support by Vitae, a leader in support and accreditation of the professional development of researchers, which works with institutions to facilitate the delivery of research, innovation and impact at the highest level.

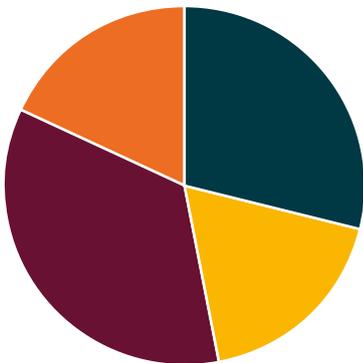
Following consultation in 2018, a range of work is underway to support and develop our Professional Services colleagues. This year saw the first ever Professional Services Conference, a one-day event for 800 colleagues, which the feedback tells us left people feeling valued and more engaged with the University's aspirations and culture change plans.

We were one of the founder signatories of the Technician Commitment in 2017, a national initiative sponsored by the Science Council and Gatsby. Subsequently, an action plan was launched in 2018 which is closely aligned to our Vision and Strategy. We are now Partner Affiliate with the National Technicians Development Centre. NU TechNet, our technician's network, were finalists in North East Equality Awards 2018 and a team of NU Technicians were winners of a PAPIN prize at HETS (Higher Education Technicians Summit) in June 2019.



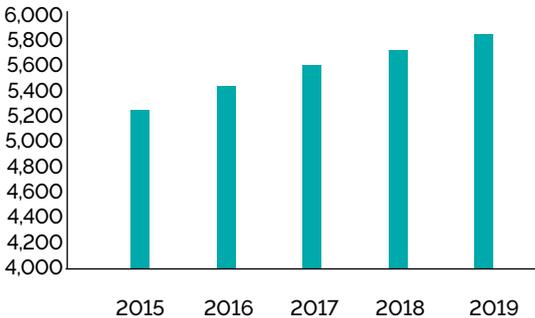
Our first ever Professional Services Conference, held in July 2019, embodied our guiding principles including working together and freedom and opportunity to succeed.

Colleagues by category
Full time equivalent as at 31 July 2019



■ Academic – 29% ■ Professional – 35%
■ Research – 18% ■ Other – 18%

Full-time equivalent colleagues as at 31 July



Infrastructure

The University's estate and wider infrastructure supports all aspects of education and research. It is therefore vital that both our physical and virtual learning environments facilitate creativity and engagement between students, colleagues and our external partners.



Estate

We continue to invest in our estate to enhance the experience of our students and colleagues. We aim to provide high-quality learning, teaching and research facilities to support our Vision and Strategy. Improving the quality and functional suitability of our estate through maintenance, refurbishment, new-build and withdrawing from or finding alternative uses for space that is no longer fit for purpose remains our key estate development principle. Where necessary and appropriate, we also acquire or lease buildings and additional floor space.

The table (right) shows our progress over recent years.

The operational estate area at July 2019 was 223,250m² (net internal area), an increase of 1,650m² on the previous year, primarily due to the addition of new facilities and third party adjustments. The floor area is estimated to increase further to 243,550m² by July 2020 as new buildings, refurbishments and extensions become operational.

Measure	2015-16	2016-17	2017-18	Russell Group* Benchmark	Target** 2018-19
Floor space in condition category A & B	88%	88%	89%	76%*	89%
Floor space in functional suitability grade 1 & 2	91%	96%	95%	88%*	96%
Gross internal area per student & staff FTE (m ²)	12.0	11.6	11.3	12.1*	11.8

*Top quartile in the Russell Group (previously benchmarked against a peer group).

**2018-19 targets are subject to HESA data confirmation.

We continue to improve the quality of our student teaching and learning facilities and have invested in the upgrading and refurbishing of teaching rooms, lecture theatres, teaching labs, computer rooms and other student facing areas. Functional suitability for teaching space (grades 1 and 2) is at 95% (95% target) with frequency of use at 59% (60% target).

Capital investment in our estate continues with approximately £100m a year invested in recent years.

In March 2019, we acquired the 29 acre former Newcastle General Hospital site and will be working closely with Newcastle City Council, Newcastle upon Tyne Hospitals Trust and other key partners to develop the site as a world-leading facility for development and promotion of healthy ageing. This will clearly be aligned with and complement the work of the National Innovation Centre for Ageing.

Main projects across Newcastle (completed or in progress)

Dame Margaret Barbour Building	Learning and teaching centre adjacent to Faculty of Medical Sciences and Park View Student Village – due to complete March 2020
Sports Centre	Major extension to existing sports centre on campus completed September 2019
The Henry Daysh Building	Refurbishment of the Claremont Tower, Claremont Bridge and Daysh buildings to create a single hub for many of our social sciences – phase 1 scheduled to complete December 2019
Armstrong Building	Phase 5 of the major refurbishment of our most important heritage building is now complete
Drummond Building	Home for our interdisciplinary 'ONE Planet' laboratory project completed summer 2019
Herschel lecture theatres	Refurbishment of some of our largest lecture theatres completed summer 2019
Frederick Douglass Centre	Our first purpose built learning and teaching centre at the Newcastle Helix site completed in time to host our inaugural Professional Services Conference in July 2019
The Catalyst	Home for the National Innovation Centres for Ageing and Data at the Newcastle Helix site due to complete late 2019
Stephenson Building	Major refurbishment of School of Engineering – design work in progress and expected to start on site in 2020
Sir Terry Farrell Building	Renovation of unused listed building to showcase Sir Terry's archives and provide increased facilities for our architecture students – design work in progress

Information Technology

Our IT Services team has continued to provide critical services for the University's operations. Capital projects featured heavily in the work programme, including the successful move of the IT Service itself to the newly named Elizabeth Barraclough Building (named after the former Executive Director of the Computing Laboratory), its first new home in 50 years, without loss or degradation to any service over the move period.

In 2018-19 we managed a portfolio of 164 projects, of which 102 were 'live' and 62 were in the 'pipeline' at year end, in addition to delivery or operation of some 150 discrete and on-going service groupings. Major projects included the start of migration from on-premise SAP Human Capital Management to SAP's Success Factors 'software as a service' offering, working with our People Services team, and fast-paced collaborative work with our marketing team to integrate SAP with the adoption of new marketing automation tools from cloud vendor HubSpot.

Student satisfaction with IT resources remained at 87% in the National Student Survey, placing us third in the Russell Group and top quartile amongst comparable institutions in the survey. The International Student Barometer for IT Support maintained its 98% satisfaction score, with related scores all over 90% and most showing modest improvement. The ReCap lecture capture service showed a 9% drop in recordings over the previous year but with views up 3% and hours viewed up 2% year on year.

Device procurement consolidation continued, with increasing use of the new campus-wide agreement with Dell and we made solid progress updating approximately 14,000 managed systems to Windows 10, leaving only a small fraction of systems on Windows 7 at the end of the year. Newer services like Microsoft Teams (part of Office 365) showed significant growth amongst colleagues and students, with Microsoft themselves calling out Newcastle's near-10,000 active user total as being sector-leading in the UK and globally notable.

Service Desk ticket volumes grew 7% over the previous year, which had seen a significant step up following adoption of the Service Desk system by Faculty IT Support the year before. Email remains the favourite contact method, static at 36% of all tickets, followed by slightly increased (by 1%) use of self-service (27%) and by telephone (20%), with in-person contact dropping 2% (to 8%) with 8,452 tickets over the year. Service desk colleague numbers have again remained static.

We achieved compliance with the new data protection regulations alongside compliance with new NHS patient data protection requirements, while the Cyber-Security and Data Protection team managed volatility in cyber-attacks and near 20% annual growth in Freedom of Information requests over the year.

Governance for IT Services was changed with the formation of a new Digital Campus Strategy Group, ahead of further changes in the engagement model to come and development of a new strategy for 'digital' across the University.



Our new student accommodation at Park View Student Village has dedicated social spaces to make our students' first year in University halls the best it can be as they make the transition into higher education, independent living and creating new friendships.

Student residential accommodation

During 2018–19, we directly managed some 4,300 rooms and had nomination agreements for more than 800 rooms across the city. We recognise the changing nature of today's students in terms of needs and expectations of (and from) their accommodation. To meet these challenges and those posed by the growth of purpose built student accommodation (PBSA), we completed a comprehensive review and restructure of our provision in 2018-19. To make the student journey and experience more user friendly, we undertook a thorough analysis of the accommodation application process. Prospective students will now be able to apply for accommodation much earlier in the admissions process and will have the facility to 'self-select' their room and site of choice.

To support and engage with students during their time in our accommodation, we started a far-reaching and inclusive *ResLife* programme in September 2019. Peer to peer contact will take place through the 30 student *ResLife* assistants living across our accommodation sites. In addition to events, we are developing a comprehensive life skills curriculum to better equip students for when they move from our accommodation into the community.

Our 1,279 bed Park View Student Village development was completed in September 2018 and in its first year of occupancy received excellent feedback from students. We are looking at options for the redevelopment of the Castle Leazes site with a view to increasing capacity from 1,100 beds to circa 2,000. This, together with the refurbishment of Marris House and development of the

Windsor Terrace site, are key elements of our strategic plan. A number of sites are being disposed of or no longer used for student accommodation, due to the lack of applicants wanting to live there and investment required which would not be viable. These include Leazes Parade and Leazes Terrace (from September 2019) and St Mary's College (at the end of 2019-20). Demolition of Henderson New Hall is underway. Henderson Old Hall is a listed building and a comprehensive review will decide on the best way forward.

During 2018-19, we invested £1.5m in various long-term maintenance works across the residential stock, which is planned to grow to £2.8m in 2019-20. Following the successful opening of Park View, an extensive refurbishment of Marris House was undertaken during the year and the £4.2m project was completed for September 2019 intake.

Networks and partnerships

As a key institution in the city of Newcastle, we recognise our responsibility to engage with the local community and businesses. We also play a leading role in coordinating efforts to support social mobility and educational achievement in our region. Our aim is to develop meaningful networks and relationships and through our Engagement and Place Strategy establish the University as a collaborative leader in the places in which we operate – in particular in supporting global connections with the North East of England.



Newcastle Helix

Newcastle Helix is a unique urban development, created by a partnership between Newcastle University, the City Council and Legal & General collectively investing over £350m. The 24-acre site brings together industry, business and top researchers in a new community in the heart of the city. The site is home to commercial and innovation facilities to create a full-scale demonstrator for urban innovation and make cities more sustainable for future generations. July saw the official opening of the Biosphere, offering dedicated commercial laboratory facilities and accommodation for the growing number of life sciences SMEs in the City. The Frederick Douglass Centre, our first purpose built learning and teaching centre, opened its doors to students in September. The coming year will also see the opening of The Catalyst, a unique building, designed to engage the public and encourage collaboration. It will be home to the National Innovation Centre for Ageing and the National Innovation Centre for Data and provide opportunities for organisations, data scientists and product developers to work alongside academics and innovation specialists. Legal & General's first development on the site (The Lumen) is progressing well

and is expected to complete in January 2020. The district energy centre is also in construction and will complete in November 2019.

As well as an exciting building programme, there was a full range of commercial and engagement activities. We hosted national and international innovation conferences, attracting thousands of visitors as well as welcoming high profile delegations including Ministers of State and Ambassadors from Japan and Thailand.

Realising Opportunities

Newcastle University leads Realising Opportunities, a partnership of 16 leading universities working together to increase the number of able young people from underrepresented groups progressing to research-intensive universities. Since 2010, Realising Opportunities has worked with over 7,000 students across England and has a longitudinal evaluation programme, which demonstrates its success. The programme has seen increased progression rates by participating students to research intensive universities and higher education generally with improved degree outcomes and higher employment rates.

North East Collaborative Outreach Programme

NECOP is a partnership of the five universities and 15 FE Colleges in the region, led by us. Through partnership working, we aim to increase the number of young people in the North East progressing to higher education. In operation since January 2017, the programme is funded by the Office for Students and entered Phase 2 in August 2019. With delivery to over 17,000 learners to date, Phase 2 will focus on further developing and refining the progressive, targeted programmes delivered in FE Colleges and schools and strengthening relationships with key strategic partners to create an infrastructure for widening participation beyond Phase 2 in the region.

North East Raising Aspiration Partnership

The North East Raising Aspiration Partnership, led by Newcastle University, brings together the five universities in the region collaborating on outreach activity where added value can be achieved through working together. The Partnership's aim is to become a powerful force for good in the region to support widening participation and social mobility. With a focus on underrepresented groups, tailored programmes for looked after young people and young carers are delivered alongside work in primary and secondary schools, presenting the higher education offer on behalf of all five partners. In 2018-19, we worked with over 32,000 young people and parents.

Alumni and supporters

Many of our alumni enjoy an ongoing connection with the University and this year over 4,000 alumni have participated part in a range of vital volunteering opportunities, donating over 8,500 hours to develop, support and inspire our students and future students.

£6.0m of philanthropic donations were made in support of the important work of the University in 2018-19, from a range of alumni, charitable trusts and foundations, companies and philanthropic individuals. Fostering close relationships with a number of donors has resulted in exceptional levels of support, including an unprecedented donation of £2.5million from Helen McArdle CBE, in support of our expertise on ageing.

We will celebrate this gift in perpetuity by naming the ground floor of The Catalyst, home to the National Innovation Centre for Ageing, the 'Helen McArdle Atrium'. We were also honoured to name a new building in acknowledgement of Dame Margaret Barbour DBE, for her ongoing financial support for medicine. The generosity of alumnus Sir Terry Farrell CBE has enabled us to begin work on creating the Farrell Centre, providing a focus for exhibition and debate about city making.



Local philanthropist, Helen McArdle CBE, made an unprecedented donation of £2.5 million.

Environmental sustainability

In April 2019, we became one of the first universities in the UK to declare a climate emergency, which has provided the context for a University-wide review of our environmental policy, objectives and targets to accelerate our response to the climate crisis.

Our renewed policy commits us to visibly leading on environmental sustainability at local, national and international scales in line with our vision and strategy, and we continue to deepen the reach of our Environmental and Energy Management Systems, certified against ISO14001 and ISO50001 respectively.



We were recognised in the inaugural Times Higher Education (THE) Impact Rankings, which are based upon the United Nations Sustainable Development Goals (UN SDGs), as 23rd in the world for our commitment to sustainability development, ranked 2nd in the world in our response to SDG 12 'Responsible Consumption and Production' and 7th for SDG 13 'Climate Action'. We continue to be recognised with a 'First Class Award' in the People and Planet University League and were placed 12th overall in the 2019 ranking, increasing our scores in the carbon and water reduction categories.

Our ongoing carbon saving projects include the campus-wide LED lighting rollout, where we have completed 18 buildings to date including Robinson Library, Merz Court, and the Bedson Building saving approximately 770 tonnes of carbon emissions per year. We also continue to invest in Automatic Meter Reading on our water meters to identify water-saving opportunities and in 2018-19 avoided potential wastage of approximately 17,600 cubic metres of water across four significant events, saving a further 19 tonnes of carbon emissions.

We conducted a campus-wide audit of laboratory waste and are continuing to work with colleagues across the University to develop and embed an action plan to minimise the carbon emissions associated with disposal of this waste stream.

In early 2019, we revisited the work of the Carbon Advisory Group to address environmental sustainability and ethics within our investment strategy. Our investments in the oil and gas sector have decreased from 8.8% (at 30 September 2017) to 3.4% (at 30 June 2019) of our total endowments and will reduce further in the next few months. The group is continuing to work on measures to align our investment approach with our environmental sustainability policy commitments.

Our Environment and Sustainability Committee, formed of Academic, Professional Services and student representation continues to play an instrumental role in reviewing our environmental performance, identifying areas for improvement and championing environmental sustainability across the University.

We continue to further our engagement with colleagues, students and other stakeholders to improve our environmental performance; our initiatives include establishing a Sustainability Champion network, relaunching the Sustainable Campus website and increasing awareness of our sustainability projects.

We are also working with partners in the city including Newcastle City Council and Newcastle Hospitals NHS Foundation Trust, both of which have joined us in declaring a climate emergency on city-wide carbon reduction plans, alongside developing a roadmap to achieving our target of net-zero carbon emissions by 2040.

Effectiveness and financial sustainability

Investment in people and infrastructure requires us to generate cash flows sufficient to support that investment. Our aim is to ensure that we have sufficient financial capacity to deliver the University's Vision and to protect market-share but in a way which doesn't create excessive risk or potentially prejudice our day to day operations.



Council has approved the following specific priorities:

- We will ensure we are financially sustainable by securing sufficient funding to deliver our plans. Specifically, we aim to achieve annual earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) of at least 6% of income, with a minimum in any one year of 4%. Adjusted EBITDA in 2018-19 was 13.0% of income, which although boosted by a number of one-off items (see Finance Review on pages 52-58), was comfortably ahead of target.
- We will maintain a robust balance sheet with sufficient cash reserves to meet our financial obligations. Specifically, we aim to ensure that cash balances at 31 July each year are greater than £50m. Cash balances and short-term deposits at 31 July 2019 were £127.2m, providing significant headroom although we recognise that we need to undertake some limited additional borrowing to be able to deliver our capital expenditure programme at the pace we would wish to see.
- We aim to maintain market share within the Russell Group and to recoup market-share of international students and research grant income. There is strong evidence that international student recruitment in 2019 will be buoyant, particularly for postgraduate taught students. We have opened a recruitment office in China and are planning to open an office in India. Our recent HubSpot implementation will significantly improve our marketing capability. We have taken action to ensure that our pricing is nearer to the median of the Russell Group. We have more work to do to recoup market share in research grants income and this is described in more detail on pages 31-33.
- We will build effective, agile, resilient and cost-efficient Professional Services across the University and allow for greater flexibility in service delivery. A major restructuring of our Professional Services took effect in August 2019, which created three hubs, each headed by an Executive Board member, for student and academic services, corporate services and infrastructure and finance, business and research.

We believe these hubs will improve join-up across related services and free senior management time to focus on key issues. A series of organisational reviews are underway of our IT Services, Marketing, Faculty of Medical Sciences, Business School and research support activity. Each will ensure that the organisations are able to develop their capacity, agility and capability while remaining value for money. Our work on this is supported by benchmarking our services against a number of other Russell Group universities using Cubane. The bi-annual data collection exercise is currently in progress and we will receive final reports in late 2019. We continue to seek to simplify business processes to reduce duplication and bureaucracy to release colleague time and resources to invest in education, research and the student experience. We will refresh our approach to value for money activity during the coming year.



- We will seek to ensure that our stakeholders have a clear understanding of what we seek to achieve and support our colleagues to make most effective use of resources. We publish an annual financial report for students and for 2018-19 will do this in consultation with our Students' Union to promote greater transparency. We work with UUK, the Russell Group and our stakeholders to ensure there is a clear understanding of our funding structure and the financial and academic implications of changes to that structure. This has been particularly important following the publication of the Augar report.

- We will ensure that our Enterprise Resource Planning (ERP) software supports effective management of core University operations. We are currently installing and testing an upgrade of our core financial systems to SAP S/4HANA, which will future-proof them for when the existing platform becomes obsolete in 2025. We expect the new release to go live in early 2020. The first phase of our new generation of people systems SAP Success Factors went live in September 2019. Building on these two key platforms, we will embrace change, innovation and effective use of digital technologies and we will provide a more personalised service for students, colleagues and external partners and ensure that our colleagues have access to rapid, holistic management information, supported by benchmark data wherever possible.

Research carried out by Professor Grant Burgess and Max Kelly, Newcastle University, and Dr Neil Lant, P&G, has shown delicate wash cycles in washing machines release more plastic microfibres than other cycles.

Financial Review

The Financial Review (pages 52–58) analyses our financial performance during the past year, summarises our financial strategy and the future outlook.

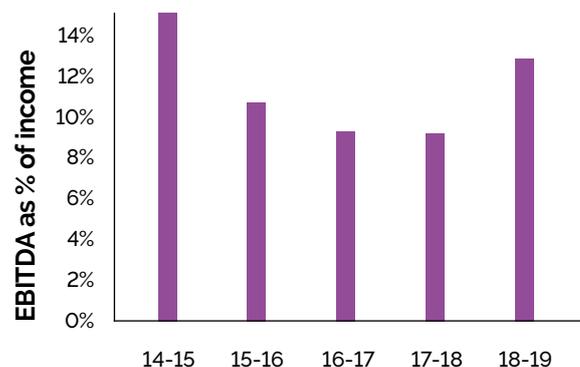
Introduction

Our key financial sustainability metric (in common with most of the sector) is earnings before FRS 102 pension adjustments, interest, tax, depreciation and amortisation (Adjusted EBITDA – see Note 27). We choose to focus on this as the best measure of our ability to generate cash as it is less susceptible than total surplus to movements in equity values and changes in discount rates. It is increasingly the measure of choice for lenders to the sector. We aim for adjusted EBITDA to be at least 6% of income, excluding one-off items.

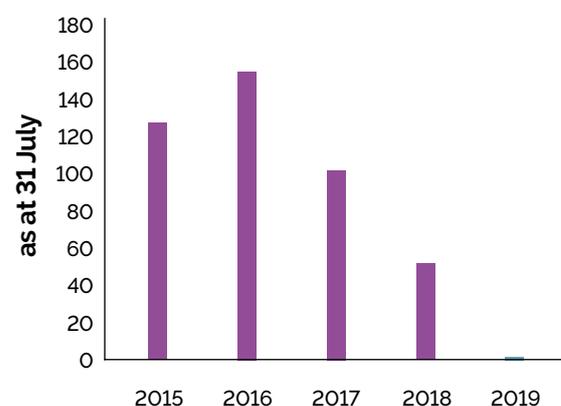
Highlights

	2018–19	2017–18	Change
Income (£m)	571	511	+12%
Adjusted EBITDA (£m)	73	47	+56%
Adjusted EBITDA as % income	13%	9%	+4%
Year-end cash balance (£m)			
Cash and short-term deposits	127	175	- 27%
Net balance	0	49	n/m

Adjusted EBITDA, as a percentage of income



Net cash balance (£m)





Measured against that metric, we had a good year. Boosted by a £15.2m increase in new capital grants, £13.1m net receipts from monetisation of our Rubraca patents and a £2.9m growth in philanthropic giving, Adjusted EBITDA was £72.9m (13.0% of income) compared to £47.4m (9.3% of income) in 2017-18. Total income grew by 12% from £511.1m to £570.6m, with almost two-thirds of the growth due to the one-off items listed above and one-third due to growth in underlying activity, notably growth in Home and EU undergraduate students. Total expenditure, excluding pension adjustments, grew by 8% from £493m to £532.3m as we continued to invest in new colleagues and facilities.

Capital additions during the year were £124.2m of land and buildings and £9.6m of equipment and infrastructure, easily our highest ever

year for investment and in line with our plans. As a result, cash and short-term deposit balances declined from £174.9m to £127.2m and net balances, which include the impact of loans and finance leases, reduced from £49.3m to £0.1m.

These promising results were significantly impacted by non-cash charges in relation to our two main pension schemes, resulting in a deficit for the year. A revised statement of contributions, resulting from the March 2017 valuation of the USS scheme, was agreed during the year resulting in a net charge of £80.2m to employment costs. A new statement of contributions, resulting from the March 2018 valuation was agreed in September 2019. If that had been agreed prior to 31 July, the net charge for the year would have been £52.5m lower at £27.7m. This is reported as

a non-adjusting post balance sheet event in the financial statements. Our RBP scheme recorded net charges of £71m to employment costs and £1.3m to interest and finance costs and an actuarial loss of £19.2m in accordance with FRS 102. The net impact of these charges and losses was £108.8m in the year, converting a trading surplus of £45.2m to negative net comprehensive expenditure of £63.6m.

As can be seen from this analysis, the financial sustainability of our pension schemes remains a key financial risk for us. Nevertheless, the underlying cash trading position is strong and we have confidence for the short to medium term. In the longer term, we face uncertainties from potential changes to fees and funding for our students and the potential impact of Brexit.

Going concern

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 financial statements. In reaching this conclusion, it has reviewed the sustainability of the University and is satisfied that the strategies, plans and processes in place will help the University move towards achieving its strategy. In particular, it is satisfied that academic strategies take account of the environment in which the University is operating as an institution and are financially sustainable. The following are the key elements that give Council assurance in this area:

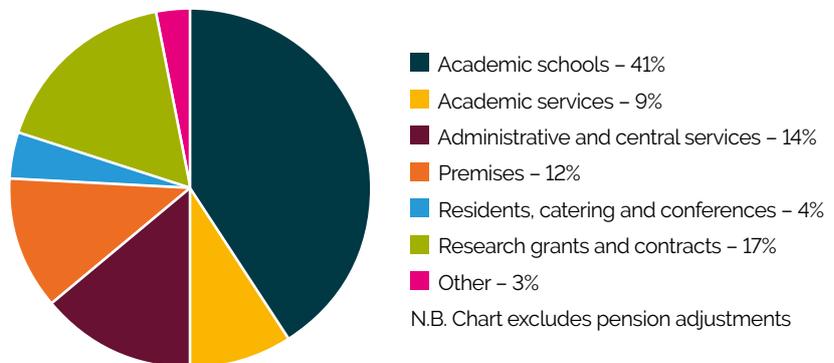
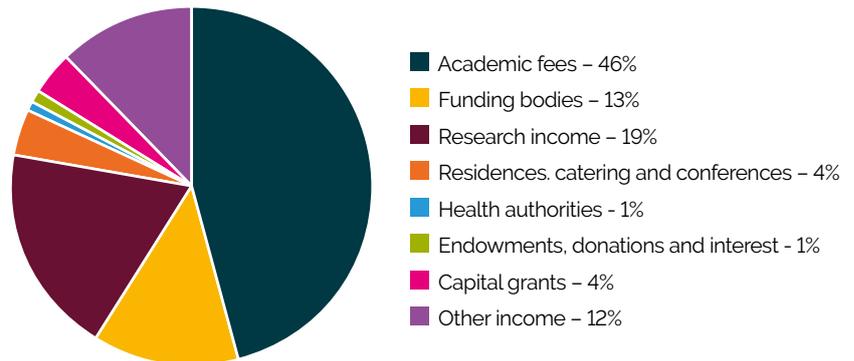
- regular reviews of the University's performance using a number of key performance indicators in areas that are relevant to institutional sustainability
- an agreed long-term target adjusted EBITDA margin of 6% of income (with a minimum of 4% in any one year) to reflect the need to generate cash to manage the University now and in the future
- regular review of the University's strategic risk register by Audit, Risk and Assurance Committee

Income

Total income in 2018–19 was £570.6m, an increase of 12% from £511.1m in 2017–18. Almost two-thirds of the growth was due to non-recurring items including a £15.2m increase in new capital grants and £23.6m gross receipts from monetisation of our Rubraca patents with the remaining one-third due to growth in underlying activity, notably growth in home and EU undergraduate students. Key income streams are summarised below.

Academic fees from full-time home and EU students grew by 5% from £157.0m to £165.2m, reflecting a 3% growth in student numbers, an increase in postgraduate tuition fees and the phased impact of the increase in the undergraduate tuition fee from £9,000 to £9,250 in 2017.

The growth in student numbers was due to the second tranche of medicine students transferring from Durham to Newcastle, growth in our London campus, the impact of new courses in physics, sports and exercise science and media, and an improvement in student retention rates. Within those numbers, the EU student mix remains buoyant.



Income from full-time non-EU students taught in the UK grew by 8% from £70.0m to £75.9m. Student numbers declined by 4%, notably for undergraduate courses, but this was more than offset by price increases. Fee income at our overseas campuses fell by 14% from £16.9m to £14.5m reflecting the continuing impact of the new agreement with the Singapore Institute of Technology. The new Singapore relationship is now fully established and we expect to see modest growth in the coming years.

Funding body grants increased by 3% from £70.0m to £71.9m, mostly due to inflationary increases. Funding body grants, as a percentage of income declined from 13.7% in 2017-18 to 12.6% in 2018-19 but are expected to increase slightly in the year ahead.

Total research income was impacted by the timing of capital equipment grants with total income falling by 1% from £109.4m to £108.7m. Funding of employment related activity grew by 2% from £51.1m to £51.9m and contribution to overheads improved by 9% from £18.1m to £19.8m. However this was more than offset by an 8% reduction in funding of non-pay activity, and in particular capital equipment. New awards during the year, which is a lead indicator for future income, increased by 2% from £118.5m in 2017-18 to £120.8m in 2018-19.

Other operating income grew by £43.3m (59%) from £73.7m to £117.0m. This was largely due to a £15.2m increase in new capital grants, notably for the UKRI funded Catalyst Building, £23.6m gross receipts from monetisation of our Rubraca patents and a £5.0m growth in income in residences, catering and conferences following the opening of Park View Student Village in September 2018.

Donations and endowments increased by £2.9m from £3.1m to £6.0m, mainly due to a single donation of £2.5m in recognition of our expertise in ageing research.

Expenditure

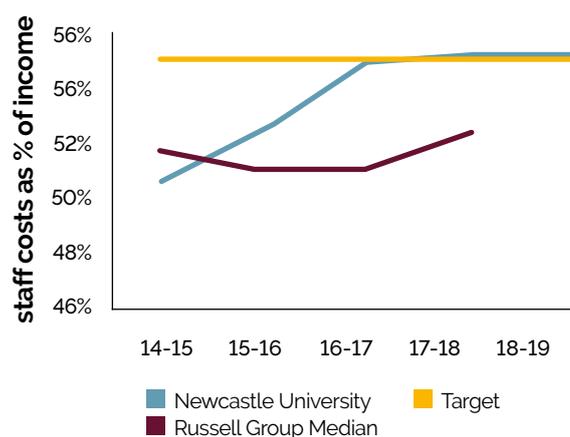
Total expenditure, excluding pension adjustments, in 2018-19 was £532.3m, an increase of 8% from £493m in 2017-18 as we continued to invest in new colleagues and facilities. Key expenditure streams are summarised below.

In summary reported employment costs comprise:

	2018-19	2017-18
	£m	£m
Underlying costs	291.1	278.5
Severance costs	0.8	2.5
Share of Rubraca monetisation net proceeds	8.6	0.0
USS pension cost adjustment	80.2	(2.0)
Local scheme pension cost adjustment	7.1	6.1
Reported costs	387.8	285.1
Underlying income (see Note 27)	526.1	505.4
Underlying costs as % of income	55%	55%

Underlying staff costs as percentage of underlying

income: Target - ca 55% of underlying income



Underlying employment costs increased by 4% from £278.5m to £291.1m and represented 55% of underlying income (2017-18: 55%), broadly in line with the University's target. Full-time equivalent employment numbers increased by 2% from 5,685 at 31 July 2018 to 5,799 at 31 July 2019. Non-academic salaries were increased by 2% from 1 August 2018 with higher increases for lower paid colleagues. USS employer contributions increased from 18.0% to 19.5% and RBP employer contributions increased from 13.25% to 17.25% from 1 April 2019. Severance costs were unusually high in 2017-18 due to a voluntary severance scheme in two of our faculties; the costs in 2018-19 were more typical. In common with the approach taken by most universities in the world, a proportion of the net proceeds from the Rubraca monetisation was paid to the team of collaborators who helped to develop the drug.

Other operating costs increased by £15.7m (9%) from £183.7m in 2017-18 to £199.4m in 2018-19. £3.3m of this increase was due to an exceptional provision for the costs of demolition of the former Henderson New Hall student residences, where we encountered very significant asbestos issues. We also incurred £1.9m of costs to monetise our Rubraca intellectual property.

Utility costs increased by £1.0m (10%) from £9.9m to £10.9m, reflecting significant price increases for both electricity and gas supplies and a number of one-off credits recognised in 2017-18. Student residence costs increased by £0.7m (12%), reflecting the opening of Park View Student Village and timing of long-term maintenance activity. Non-residential estates maintenance expenditure, which was unusually low in 2017-18, increased by £1.4m (81%) as activity returned to a more usual level. IT related expenditure increased by £0.8m (10%) reflecting investment in a new generation of SAP and related systems.

Other items

Depreciation increased by 17% from £24.3m to £28.5m, reflecting the completion of Park View Student Village and continued high levels of investment in equipment and infrastructure.

Our investment managers continued to perform well during the year, resulting in a gain in the market value of our investments of £4.9m.

Our share of the operating results of our joint ventures and associate improved from a loss of £0.7m in 2017-18 to a surplus of £2.2m in 2018-19. The INTO Newcastle pathway centre had a very good year with a 15% increase in student numbers and an 18% improvement in reported surplus. Losses at Newcastle University London were markedly lower than 2017-18.

Pensions

As the USS is a multi-employer scheme with no basis to identify accurately our share of the assets and liabilities, we do not make a balance sheet provision for our share of the deficit. However, as required by FRS 102, we make a balance sheet provision for the discounted future obligation to make deficit recovery payments. This liability was impacted by the agreement during the year of a new statement of contributions as a result of the 31 March 2017 valuation. This valuation reported a technical provisions deficit of £7.5bn and anticipated a 17-year deficit recovery plan with payments of 5% of relevant salary. The balance sheet provision was increased to £125.1m.

A new valuation as at 31 March 2018 was completed in September 2019. This reported a technical provisions deficit of £3.6bn and anticipated a 10 year deficit recovery plan with payments of 2% of relevant salary for two years from 1 October 2019 followed by payments of 8% for the following eight years. If that had been agreed prior to 31 July, the net charge for the year would have been £52.5m lower at £27.7m. This is reported as a non-adjusting post balance sheet event in the financial statements (Note 28 and 30).

The most recent triennial valuation of the RBP was at 1 August 2016. This revealed a surplus of £15.3m relative to the technical provisions (7% of liabilities) and reflects outstanding investment management in the past few years. As required by FRS 102, employment costs were increased by £7.1m in 2017-18 (2017-18: £6.1m), net interest costs were increased by £2.3m (2017-18: £1.5m) and an actuarial loss of £19.2m (2017-18: £20.3m gain) was recognised to reflect the FRS 102 valuation of the scheme. The increase in employment costs includes a past service charge of £1.6m for the estimated impact of recent GMP Equalisation court rulings. The actuarial loss reflects a reduction in the discount rate from 2.75% to 2.1%. The next actuarial valuation date of the RBP will be 1 August 2019.

Balance sheet

Capital additions during the year were £133.8m (2017-18: £94.5m), comprising £124.2m of land and buildings and £9.6m of equipment and infrastructure.

Equipment expenditure was £1.5m lower than the previous year, which was inflated by expenditure on a major research project. Land and buildings expenditure included:

- construction of two new education centres at Newcastle Helix and adjacent to the Medical School
- construction of the Catalyst building at Newcastle Helix
- extensions to our sports facilities on the main campus and at Cochrane Park
- freehold purchase of the former Newcastle General Hospital site
- major refurbishment of Claremont Tower, Claremont Bridge and the Daysh Building

There were £59.9m of contracted capital commitments at 31 July 2019 (2018: £85.6m). Authorised but not yet contracted projects totalled £26.2m (2018: £120.4m).

Gross cash balances declined from £174.9m to £127.2m and net cash balances, which exclude the impact of borrowing activity and leases, reduced from £49.3m to £0.1m.

Treasury

At 31 July 2019, we had £75.3m short-term liquid deposits (2018: £109.2m). The level of deposits fluctuates throughout the year with materially higher balances between September and December, and between May and July due to the timing of tuition fees and OfS and Research England grants. Although this does not create short-term liquidity issues, it does 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 banks and building societies which we consider to be secure, based on external benchmarks. We regularly review our investments and take rapid action if we believe there is any deterioration in risk.

At 31 July 2019, we had £85.1m of endowments (2018: £80.6m). We seek to invest 80% of our endowment funds in equities and 20% in other asset classes. During 2018-19, we used Majedie, Baillie Gifford and Royal London Asset Management

(active equity managers) and Royal London, M&G and Aviva (ethical alternative asset funds) to manage our investments. In August and September 2019, investments held by Majedie were transferred to Royal London Asset Management.

We receive monthly performance reports from all our managers and Finance Committee meets formally with our active managers once a year to review progress. Our ethical investment policy provides a mechanism whereby students or colleagues can challenge how we invest our funds and also requires our investment managers to subscribe to the United Nations Principles for Responsible Investment (UNPRI). We will give priority to investment managers who preferentially invest in progressive companies that are working towards low carbon solutions. We have commissioned research into the options available for us to take a firmer position on fossil fuel investments for our next equity investment manager tender which is expected to take place in 2020.

Outlook

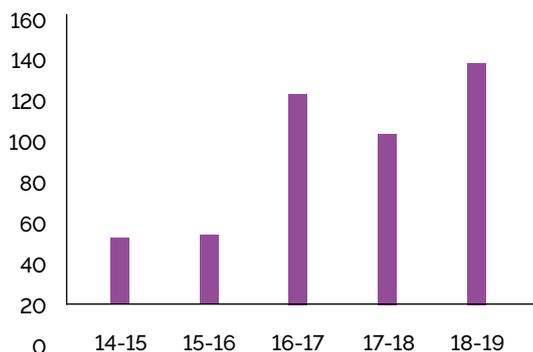
We expect continued strong underlying financial performance in 2019-20 although Adjusted EBITDA will be lower due to the non-recurring gains seen in 2018-19. Current indications are that 2019 home and EU student recruitment will be broadly on target and non-EU recruitment will be materially better than target. We remain concerned about the impact of Brexit, the continued volatility in international student recruitment and potential changes to fees and funding for home undergraduate students. Work continues to understand and mitigate all these threats.

Despite the challenges, we believe the next few years also present us with significant opportunity. We have well developed plans for the future to invest in academic colleagues, student experience, research and IT infrastructure and new buildings. Opportunities to grow activity in social sciences, engineering and medical sciences are limited by estates constraints but building projects are underway to address these constraints.

The key strategic risks which may impact financial sustainability are:

- failure to maintain a financially sustainable pensions provision
- failure to respond effectively to the decision to leave the European Union which could impact student recruitment, research income and colleague recruitment and retention
- failure to meet home and international student recruitment targets
- failure to maintain the estate as functionally suitable and have an appropriate information strategy and control of data
- failure to ensure proper conduct of business and be able to respond to severe business disruption events

Capital expenditure (£m)





Nurul Syahira Zakaria, first prize winner for Elective Photograph Competition 'Students at Work' category at NUMed Malaysia.

Corporate Governance Statement

The Corporate Governance Statement (pages 59-64) provides an overview of the governance of the University, processes for ensuring the student voice is heard and for management of risk, Council's responsibilities and the arrangements to ensure sound internal controls are in place. As Chair of Council, I take a lead role in ensuring good governance is exercised by the University.

Paul Walker Chair of Council and Pro-Chancellor

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.

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 statutes require the University to have a number of separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities. Convocation is a meeting of the alumni and is the body that appoints the Chancellor. Academic Board is a meeting of all academic and related staff and receives an annual report from the Vice-Chancellor and President.

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.

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. Senate met six times during 2018-19, including one joint meeting with Council.

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 President and to discuss any matters relevant to the interests and wellbeing 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 on pages 62-63.

Council undertakes regular reviews of its effectiveness using guidance given in *The Higher Education Code of Governance* published by the Committee of University Chairs in December 2018. In 2018-19 a review of governance was conducted by Advance HE. The final report was presented in February 2019. Their assessment of the University's governance is that it is working well generally. There is an increasingly transparent approach to discussions and decision-making and a more

strategic focus to Council meetings. It identified a series of recommendations to make further improvements including a modest reduction to the size of Council, improving the induction process for new members of Council and strengthening the student voice in governance. A number of the recommendations have been implemented immediately, including changing the membership of Finance Committee to include the President of the Students' Union. Most of the recommendations will be in place for 2019-20 but some will require changes to the statutes. These are underway but it is a lengthy process.

The University complies with all seven primary elements in the code and the compulsory elements. Members of Council subscribe to the Office for Students' Public Interest Governance Principles.

Council has a majority of members from outside the University (lay members) including three lay officers; Chair, a Vice-Chair and Treasurer. Members also include staff of the University and the student body. None of the lay members receives any payment, apart from reimbursed expenses, for the work they do for the University.

Members of Council during 2018-19 were:

Paul Walker (Chair)¹
Professor Caroline Austin²
David Bird¹
Neil Braithwaite¹
Linda Conlon¹
Professor Nicola Curtin²
Mike Davison¹
Professor Chris Day²
Dr Stacy Gillis²
Jonathan Glass¹
Teresa Graham¹
Jonathan Hall³
Stephen Lightley (Treasurer)¹
Adrienne McFarland²
Jeff McIntosh¹
Dr Sara Maioli²
Raffaello Marioni³
Claire Morgan¹

Heidi Mottram (Vice-Chair)¹
Dianne Nelmes¹
Sir Professor Mike Rawlins¹
Professor Julie Sanders²
Professor Selina Stead²
(until 28 February 2019)
Angela Woodburn¹
Vicky Wright¹

¹ Lay member
² Employee of the University
³ Student representative

Council met six times during 2018-19, including a joint meeting with Senate. Amongst other matters and, in consultation with Senate, Council agreed to:

- purchase the former Newcastle General Hospital site to help develop the Campus for Ageing and Vitality
- proceed with the re-organisation of the Faculty of Medical Sciences to enhance its effectiveness by facilitating multi-disciplinary working and stronger links between teaching and research
- enter into negotiations with INTO University Partnerships over the operation of the London site
- make changes to the composition of Executive Board and the organisation of Professional Services to help with the implementation of the University's strategy

Much of the detailed work is routed through committees of Council. The following five committees 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.

Audit, Risk and Assurance Committee

Audit, Risk and Assurance Committee is a committee of Council, comprising three lay members of Council and additional lay members. It meets five times each year with the University's internal auditors (and, where relevant, external auditors) in attendance. The Committee reviews the University's strategic risk management and 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 the OfS, Higher Education Statistics Agency and other public bodies. Members during 2018-19 were:

Jonathan Glass (Chair)
(lay member of Council)
David Bird
(lay member of Council)
David Carroll
Angela Russell
Angela Woodburn
(lay member of Council)

Finance Committee

Finance Committee 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. Members during 2018-19 were:

Stephen Lightley (Chair)
Neil Braithwaite
Professor Chris Day
Jeff McIntosh
Professor Julie Sanders
Paul Walker

Nominations Committee

Nominations Committee makes recommendations to Council in respect of the appointment of lay members of Council, the offices of Chair and Vice-Chair of Council, Honorary Treasurer and members of the Committees of Council. Members during 2018–19 were:

Paul Walker (Chair)
 Professor Chris Day
 Heidi Mottram
 Dianne Nelmes
 Fiona O'Connor
 Professor Julie Sanders
 Sarah Stewart
 Rob Williamson

Council has approved a strategy for the appointment of new lay members which Nominations Committee implements on its behalf. The intention remains to appoint high-calibre individuals with specific skills that are of value to the University and a commitment to the principles and future success of the University. Prior engagement with the University via a committee or similar is an advantage before an individual joins the governing body. Council benefits from a diversity of members and actively seeks to promote equality and diversity throughout the institution. It is committed to the aim of the 30% Club – at least 30%, and preferably more, of its lay members to be women, a figure that we comfortably exceeded in 2018–19.

Remuneration Committee

Remuneration Committee considers the remuneration and terms and conditions of senior members of staff. More detail on the work of this committee is provided on pages 65–68.

University/Students' Union Partnership Committee

The University and the Students' Union have a joint Partnership Committee, constituted as a sub-committee of Council, chaired by a lay member of Council, which meets regularly to discuss matters of common interest. This committee also discharges the University's obligations with regards to the Students' Union under the terms of the Education Act 1994 on behalf of Council.

Executive Board

Executive Board is the senior management team of the University and is formally designated as a joint committee of Council and Senate. It 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 activities, assesses the risks related to the delivery of these and ensures that appropriate measures are in place to assure the financial sustainability of the University. 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.

The principal academic and administrative officer of the University is the Vice-Chancellor and President who has general responsibility for maintaining and promoting the efficiency and good order of the University. Under the OfS registration conditions, the Vice-Chancellor and President 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 and President is also responsible for assuring the quality and accuracy of University data provided to the OfS, HESA and other public bodies. As chief executive of the University, the Vice-Chancellor

and President exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The Deputy Vice-Chancellor, 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. Members of Executive Board during 2018–19 were:

Professor Chris Day
 (Vice-Chancellor and President)
 Professor Julie Sanders
 (Deputy Vice-Chancellor)
 Professor David Burn
 (Pro-Vice-Chancellor –
 Medical Sciences)
 Professor Suzanne Cholerton
 (Pro-Vice-Chancellor – Education)
 Richard Dale
 (Executive Director of Finance)
 Professor Richard Davies
 (Pro-Vice-Chancellor – Global)
 Professor Nigel Harkness
 (Pro-Vice-Chancellor –
 Humanities and Social Sciences)
 John Hogan
 (Registrar)
 Abi Kelly
 (Executive Director of Corporate Affairs)
 Adrienne McFarland
 (Executive Director of People Services
 from 1 April 2019)
 Professor Brian Walker
 (Pro-Vice-Chancellor –
 Research Strategy and Resources)
 Judith Whitaker
 (Executive Director of Human
 Resources until 15 February 2019)
 Professor Philip Wright
 (Pro-Vice-Chancellor –
 Science, Agriculture and Engineering)



Great North Museum: Hancock won Best Medium Museum at the Family Friendly Museum Awards 2019.

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 have been revised in light of the statement of primary responsibilities taken from *The Higher Education Code of Governance* published in December 2014 and are as follows:

- to approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders
- to ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions
- to delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate and human resource management of the institution; and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution
- to ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest
- to establish processes to monitor and evaluate the performance and effectiveness of the governing body itself
- to conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life
- to safeguard the good name and values of the institution
- to appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance
- to appoint a Secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability
- to be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy
- to be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate
- to be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name
- to receive assurance that adequate provision has been made for the general welfare of students
- to act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution
- to ensure that the institution'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 accounting instructions prepared by the OfS. The University prepares 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 OfS, Research England or the HEFCE are used only for the purposes for which they have been given and in accordance with the Memorandum of Financial Assurance and Accountability with the HEFCE and any other conditions which the OfS or HEFCE 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

Health, safety and wellbeing

2018–19 saw a decrease in both the total accident rates for colleagues and students and the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accident rate. There was an increase in the reporting of near misses.

Actions in the five year Health and Safety Strategic Plan are complete. Council approved a Health and Wellbeing Strategic Plan which provides a consistent approach for colleagues and students. We have incorporated health and wellbeing in the Health and Safety Policy and Management System, organised a Health and Wellbeing Sub-Committee and held a Health and Wellbeing week in October 2019. An Employee Assistance Programme was also launched.

Sickness absence rates decreased slightly from 2.3% in 2017–18 to 2.2% for 2018–19. The rate for operational colleague sickness decreased to 6.5% from 7.6% in 2017–18. It is anticipated that the implementation of the Health and Wellbeing Strategic Plan and support provided by our Employee Assistance Programme will further assist sickness absence management.

Public disclosure

Council membership, agenda, unreserved papers and minutes are all made publicly available on the University website.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require us to collect and publish, on an annual basis, a range of data in relation to our usage of and spend on Trade Union facility time in respect of our colleagues who are Trade Union representatives. The following information relates to the 12 months ended 31 March 2019.

36 colleagues acted as trade union representatives during that period. All spent between 1% and 50% of their working hours on facility time. This totalled 2,295 hours and a total cost of £49,854 (0.02% of the total colleague costs of the University). 1,258 hours were spent on paid trade union activities (54.82% of total facility time).

Slavery and human trafficking

The University has a responsibility to ensure that slavery and human trafficking are not taking place in our business or in our supply chains. Our Slavery and Human Trafficking Statement can be accessed on our website at www.ncl.ac.uk/foi/publication-scheme/policies.

Statement on internal control

Council is responsible 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. The University's arrangements for the prevention and detection of fraud, bribery, corruption and other irregularities are designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements of the University's system of internal 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 Council 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

The approach to internal control is risk-based. There is an ongoing process designed to:

- identify the principal risks (whether business, operational, compliance or financial) to the achievement of policies, aims and objectives

- evaluate the nature and likelihood of principal risks becoming a reality, and the potential impact
- take steps to manage risks efficiently, effectively and economically
- review high-ranking risks (in terms of likelihood and impact) during the year
- make regular reports on internal control and risk to Council (as well as Executive Board and Audit, Risk and Assurance Committee) to assure it that procedures are in place for the identified risks to be managed

Council has reviewed the reports of the strategic risks and their evaluation and management, and is of the view that the University's arrangements for identifying, evaluating and managing its significant risks is embedded into ongoing operations and has been in place for the year ended 31 July 2019 and up to the date of the approval of the financial statements. There are concerns about the University's cyber-security arrangements and we have commissioned an external review. The effectiveness of 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 complies with the professional standards of the Chartered Institute of Internal Auditors.

Senior management and Audit, Risk and Assurance Committee have also reviewed the performance of Internal Audit and are satisfied with it.

The Internal Audit strategy and plan is approved by the Audit, Risk and Assurance Committee. The senior management team and Audit, Risk and Assurance Committee receive regular internal audit reports, which include recommendations for improvement. Internal Audit provides 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, internal control and value for money. The Internal Audit annual report for 2018–19 concluded that the University's arrangements for risk management, internal control, corporate governance and value for money are generally adequate but some weaknesses have been identified in purchasing controls. These have been acknowledged and actions have been identified which will address them. We notified the OfS of two reportable events one relating to the University's ongoing operations in London and the other concerning a case of fraud. Neither materially affects or could materially affect our legal form or business model, and/or our willingness or ability to comply with our conditions of registration.

Remuneration Report

For the year ended 31 July 2019

This Remuneration Report (pages 65–68) provides an overview of our approach to rewarding the members of the Executive Board of Newcastle University and contains audited information now required in line with the Accounts Direction for the 2018–19 financial year issued by the Office for Students. This year's Remuneration Report has been compiled having regard to new guidance from the Committee of University Chairs (CUC) regarding pay policies and practices in British universities in relation to senior colleagues. We intend to follow this guidance and Council has changed the terms of reference of the Remuneration Committee accordingly.

The University has now published its second Gender Pay Gap Report and developed a pay equality action plan to ensure that colleagues are not subjected to either conscious or unconscious gender bias in pay determination. The Remuneration Committee will continue to seek assurance that there is no gender bias in respect of pay of those higher paid colleagues within its remit.

Vicky Wright Chair of Remuneration Committee

Unaudited information

Remuneration Committee

Remuneration Committee membership was revised to ensure alignment with the CUC Code. The members at the end of the financial year were:

Vicky Wright, lay member of Council (Chair)

Paul Walker, Chair of Council

Stephen Lightly, Honorary Treasurer

Claire Morgan, lay member of Council

Adrienne McFarland was also a member, in her capacity as a lay member of Council, until her appointment as Executive Director of People Services in April 2019. The Vice-Chancellor and President is not a member of the Committee, but regularly attends meetings by invitation. The Registrar and the

Executive Director of People Services are also normally present. None of the senior post-holders, including the Vice-Chancellor, are present at discussions about their own remuneration.

Remuneration Policy for Executive Board

The Remuneration Committee sets the remuneration of the members of Executive Board. In doing so, the Committee takes account of a range of factors, including:

- roles and responsibilities
- university performance
- individual performance
- market conditions
- the negotiated remuneration settlement for colleagues
- internal pay relativities

The Committee recognises the need for greater transparency of the approach to determining senior remuneration. The Committee makes use of a number of reliable information sources to help guide decisions on Executive Board remuneration including:

- The annual Russell Group survey of senior pay (produced by Korn Ferry)
- The Universities and Colleges Employers Association Senior Salary Survey
- The annual CUC survey of Vice-Chancellors remuneration

During 2018–19 the Committee reviewed and published a revised Executive Board remuneration policy, setting out in more detail the approach taken to pay decisions.

A copy of the revised policy can be found at www.ncl.ac.uk/who-we-are/structure/transparency. The Committee also receives internal University reports on matters such as:

- professorial pay levels and decisions reached by the Merit Awards Committee
- gender pay gap analysis
- trends in overall pay levels

Overall pay costs

The table (above right) shows the growth in total colleague costs over the past three years (costs exclude agency staff but include the University's pension costs). The University aims to keep this at broadly 55% of income in the coming year.

Gender pay gap

In March 2019, we submitted our second Gender Pay Gap Report. This showed a slight reduction in the mean gender pay gap to 20% (vs 20.4% prior year) for basic pay and an increase in the mean bonus pay gap to 53.2% (vs 49.0% prior year). The latter was driven by the inclusion of Clinical Excellence Awards for our clinical academic colleagues. We established a pay equality task and finish group in 2018 to make recommendations on pay equality, recruitment, promotion and career development. Key actions taken to date include:

- the process for professorial pay review was changed from nomination by heads of academic unit to a self-application basis to encourage more female colleagues to apply. This will result in 34% of female professors securing an award, compared to 20% of male professors during 2019-20

	Underlying colleague costs	Total underlying income	Underlying colleague costs
	£m	£m	as % of Income
2016-17	266.1	485.5	54.9%
2017-18	278.5	505.4	55.1%
2018-19	291.1	526.1	55.3%

- a major review of our academic promotions process has been undertaken to ensure it provides reward and recognition for colleagues whose contribution and behaviours reflect the University's aim for excellence in teaching, research and innovation. The recommendations from this work will be implemented during 2019-20 and the intention is that they will positively impact female colleagues and therefore support further closing of the gender pay gap
- further analysis of pay gaps across faculties and career groups is under way to enable more targeted actions, which will have the most impact reflecting our ongoing commitment to recruit, promote and retain the best colleagues in all areas
- active promotion of our flexible working opportunities to support the continued development and career progression of women throughout the University
- broadening of our pay gap analysis to cover other protected characteristics such as ethnicity and disability, as well as considerations of intersectionality (particular issues arising from belonging to more than one protected characteristic group)
- examining recruitment practices to minimise the risk of importing gender pay differentials, which then persist for many years. By way of example, for all senior appointments, we provide chairs of panels with internal comparator data to ensure that salary offers made are equitable and fair
- we delivered a series of workshops with women leaders to elicit lessons learnt on how to encourage and support more women to achieve leadership positions. This will inform our overall leadership strategy and support the reduction of the gender pay gap
- as part of our 'For Families' project we are reviewing the possibility of reducing or removing the length of service criterion for all family-friendly policies and providing additional financial benefit. These changes will position our parental leave and pay policies towards the most generous in the sector and thereby positively contribute to a further reduction in our gender pay gap
- we are considering extension of the academic returners programme to all colleagues across the University to retain key skills, talent and experience

Audited information

Basic Salary Band	Non-clinical	Clinical	2018-19 Total	2017-18 Total
£100,000 - £104,999	13	13	26	27
£105,000 - £109,999	5	8	13	12
£110,000 - £114,999	6	6	12	5
£115,000 - £119,999	5	3	8	8
£120,000 - £124,999	3	4	7	11
£125,000 - £129,999	2	7	9	5
£130,000 - £134,999	4	4	8	7
£135,000 - £139,999	3	8	11	7
£140,000 - £144,999	2	2	4	3
£145,000 - £149,999	3	1	4	1
£150,000 - £154,999	1	-	1	1
£155,000 - £159,999	1	-	1	-
£160,000 - £164,999	1	1	2	1
£165,000 - £169,999	2	1	3	1
£170,000 - £174,999	-	-	-	1
£175,000 - £179,999	1	-	1	-
£190,000 - £194,999	-	-	-	1
	52	58	110	91

Higher paid colleagues

The full-time equivalent number of colleagues with a basic salary of over £100,000 per annum (excluding the Vice-Chancellor and President), broken down into bands of £5,000, is shown above.

Remuneration for the Vice-Chancellor and President

The remuneration of the Vice-Chancellor and President is reviewed annually by the Remuneration Committee. This follows a review of personal and institutional performance undertaken by the Chair of Council. Professor Day's salary is determined according to a number of factors including but not limited, to:

- the breadth of leadership responsibilities for one of the UK's largest universities consisting of more than 28,500 students based in campuses across the UK, Malaysia and Singapore
- the financial responsibilities of an institution with an turnover of more than £570m and almost 5,800 full-time equivalent colleagues
- the accountability for sustaining a high-quality educational experience for students and a world-leading research portfolio

	2018-19	2017-18
	£'000	£'000
Salary	317.4	311.2
Benefits in kind	-	-
Payments in lieu of pension contributions	49.5	28.9
Pension contributions	6.7	37.5
Sub-total	373.6	377.6
USS salary sacrifice	-	(10.4)
Total	373.6	367.2

His salary was increased by 1.7% from 1 August 2017 and by 2% from 1 August 2018 (the standard national pay uplift received by all University colleagues). From 1 January 2018, Professor Day ceased active membership of the USS under their enhanced opt-out arrangements. As a result, he receives an allowance equivalent to the employer's contribution for future accrual (subject to the normal deductions of income tax and National Insurance). The University is also required to pay a deficit recovery contribution of 2.1% of salary to USS (shown as Pension contributions in the table on page 67).

The Vice-Chancellor and President's basic salary is 9.7 times the median basic salary of colleagues (2017-18: 9.7), where the median basic salary is calculated on a full-time equivalent basis for the salaries paid by the University to its colleagues.

The Vice-Chancellor and President's total remuneration is 9.7 times the median total remuneration of colleagues (2017-18: 9.8), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the University of its colleagues. Published information available from the Office for Students for 2017-18 shows that the multiple for total remuneration of 9.8 was lower than the top 20 highest multiples reported for the English Higher Education sector.

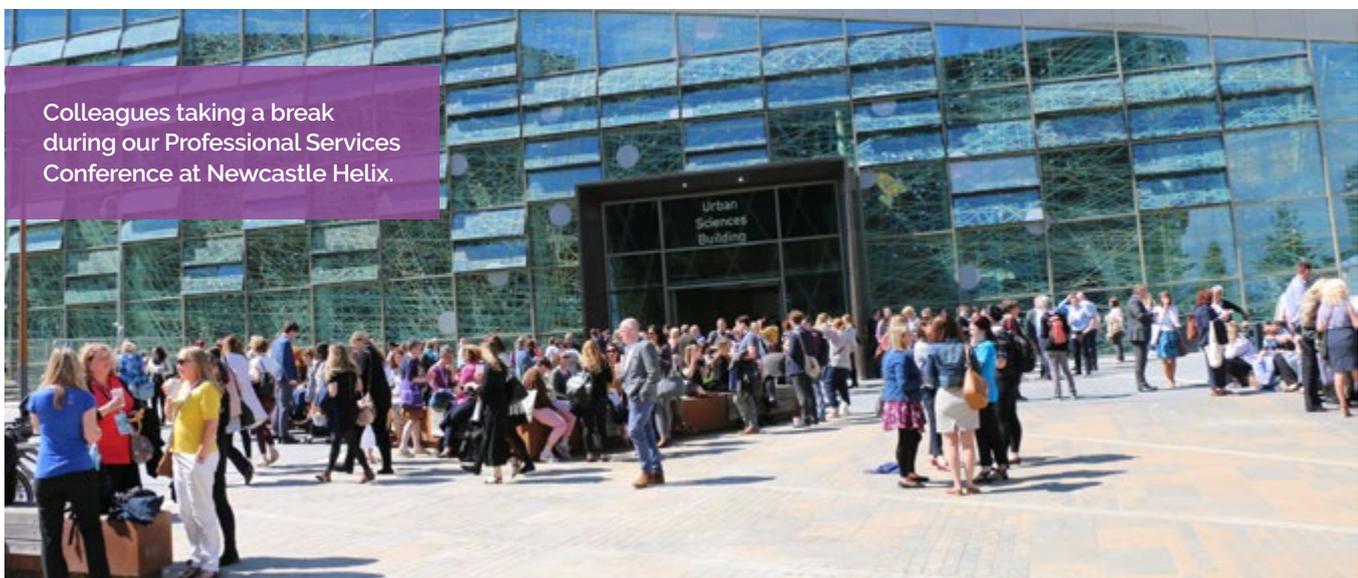
Payments to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Colleague costs shown in the accounts include compensation paid to key management personnel. We define key management personnel as the members of our Executive Board. For the year ended 31 July 2019, Executive Board consisted of 12 full-time members (2018: 12) including the Vice-Chancellor and President.

Severance payments

We pay due regard to the Guidance on decisions taken about severance payments in HEIs published by the Council of Chairs (CUC). We paid £0.8m to former colleagues in compensation for loss of office in 2018-19 (2017-18: £2.4m including £1.3m as a result of a voluntary severance scheme). The majority of these payments related to colleagues on fixed-term contracts of more than two years reaching the end of their assignments.

	2019	2018
	£m	£m
Key management personnel compensation: Salary and benefits (including employer's pension contributions)	2.5	2.3



Colleagues taking a break during our Professional Services Conference at Newcastle Helix.

Independent Auditor's Report

to the Council of Newcastle University

Opinion

We have audited the financial statements of Newcastle University ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance sheets, Consolidated Cash Flow Statement and the related Notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent institution's affairs as at 31 July 2019, and of the Group's and parent institution's income and expenditure, gains and losses, and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Integrated Annual Report 2018-19, other than the financial statements and our auditor's report thereon. The Council is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students Terms and conditions of funding for higher education institutions

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

- funds from whatever source administered by Newcastle University have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the applicable Terms and conditions attached to them; and
- the requirements of the Office for Students accounts direction for the relevant year's financial statements have been met.

Responsibilities of the University Council

As explained more fully in the Statement of the Responsibilities of Council in Preparation of the Financial Statements set out on page 63, the University Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group's and the parent institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the group or the parent institution or to cease operations, or have no realistic alternative but to do so.

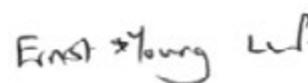
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Council of the Newcastle University, as a body, in accordance with the Charters and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Newcastle University and the Council as a body, for our audit work, for this report, or for the opinions we have formed.



**Ernst & Young LLP
Edinburgh
October 2019**

Notes:

1. The maintenance and integrity of the Newcastle University website is the responsibility of the Council; 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.
2. 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

1. General information

The University is registered with the Office for Students. The address of the principal office is Newcastle University, King's Gate, Newcastle upon Tyne, NE1 7RU.

2. Statement of compliance

The Consolidated and University financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education issued in 2015. They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the terms and conditions of funding for higher education institutions issued by the Office for Students and the terms and conditions of the Research England grant.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

3. Basis of preparation

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

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Financial Review. The Financial Review also describes the financial position of the University, its cash flows and liquidity position. Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest one hundred thousand (£0.1m) except when otherwise indicated.

4. Exemptions under FRS 102

The University has taken the exemption under section 3.3 of the SORP (1.12(b) of FRS 102) to not produce a cash flow statement for the University in its separate financial statements.

5. Basis of consolidation

The consolidated financial statements include the financial statements of the University and all its subsidiaries together with the share of the results of joint ventures and associates for the financial year to 31 July 2019. Intra-group transactions are eliminated on consolidation.

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the University and its associates and joint ventures are not eliminated. Normal trading transactions that are not settled by the balance sheet date are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity, the part relating to the University's share is eliminated.

Details of the University's subsidiary and associated undertakings, investment in joint ventures and other investments are provided in Notes 14–16 to the financial statements.

The consolidated financial statements do not include the results of Newcastle University Students' Union as the University does not exert control or dominant influence over policy decisions.

The consolidated financial statements do not include the results of the University of Newcastle upon Tyne Development Trust as it is a separate charity which manages its funds independently of the University. Although the University nominates some of the trustees, it has no control over the Trust's decisions.

Associated undertakings and joint ventures are accounted for using the equity method.

6. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Tuition fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Education contracts are recognised when the University is entitled to the income, which is the period in which students are studying, or where relevant, when performance conditions have been met.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with

donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restrictions applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

- restricted donations – the donor has specified that the donation must be used for a particular objective
- unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University
- restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible assets, and the University has the power to use the capital
- restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective

Donations of tangible assets are included within income. The income recognised is valued using a reasonable estimate of their gross value or the amount actually realised. Donated tangible assets are valued and accounted for as tangible assets under the appropriate asset category.

Income from expendable endowments is recognised 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 Statement of Comprehensive Income to the extent of the related expenditure during the year.

Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

7. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Newcastle upon Tyne Retirements Benefits Plan (1971) (RBP) which is an Exempt Approved Scheme under the Finance Act 1970. RBP is a defined benefit scheme. USS is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of both RBP and USS are held in trustee-administered funds. Each fund is valued every three years by professionally qualified independent actuaries.

A small number of staff remain in other pension schemes.

The USS is a multi-employer scheme. Due to the mutual nature of the scheme, it is not possible to identify the assets and liabilities of the scheme to University members on a consistent and reasonable basis. Therefore, as required by Section 28 of FRS 102 'Employee benefits', the scheme is accounted for as if it were a wholly defined contribution scheme. As a result, the amount charged to expenditure represents the contributions payable to the scheme in respect of the accounting period. Since the University has entered into a recovery plan agreement to fund past deficits, a liability is recorded within provisions for the contributions payable that arise from the agreement, to the extent that they relate to the deficit, and the resulting expense is recognised as expenditure.

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 expenditure within staff costs. The interest income on the scheme's assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within investment income or interest and other finance costs. Actuarial gains and losses are recognised in Other Comprehensive Income.

8. Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

9. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

10. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

11. Foreign currency

University

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. Foreign exchange differences arising on translation are recognised as a surplus or deficit.

Group

The assets and liabilities of foreign subsidiary undertakings are translated to sterling at the rate of exchange ruling at the balance sheet date. The revenues and expenses of foreign subsidiary undertakings are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. The exchange difference arising on the retranslation of opening net assets is taken to Other Comprehensive Income. All other exchange differences are recognised as a surplus or deficit for the year.

12. Property, plant and equipment

Land and buildings

Land and buildings are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Freehold land was revalued to fair value on transition to the 2015 SORP, and is measured on the basis of deemed cost, being the revalued amount at the 31 July 2014 transition date.

Costs incurred in relation to land and buildings after initial purchase or construction, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings and major refurbishments are depreciated on a straight line basis over their expected useful lives to the University, by components (where appropriate) as follows:

Structure	– 50 years
Fit-out	– 20 years
Mechanical/electrical services	– 15 years

Expenditure relating to subsequent replacement of components is capitalised as incurred.

Short-leasehold buildings are depreciated over the shorter of the lease term and the expected life of the asset.

No depreciation is charged on assets in the course of construction.

Equipment

Equipment costing less than £25,000 per individual item or group of related items and all software costs are recognised as expenditure. 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 to 10 years
Equipment acquired for specific research projects	– project life (generally 3 years)

Leased equipment – period of lease

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each balance sheet.

Impairment

A review for impairment of property, plant and equipment is carried out if events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

13. 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 tangible assets.

14. Intangible assets

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. Intangible assets purchased are initially recognised at cost and amortised on a straight line basis over five years representing the estimated useful life of the assets. They are subject to periodic impairment reviews as appropriate.

15. Investments

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

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the University's financial statements.

16. Stock

Stock is held at the lower of cost and net realisable value.

17. Cash and cash equivalents

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.

Cash equivalents are short term (maturity being less than three months from the placement date), highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents contain sums relating to endowment reserves which bear restrictions regarding use.

18. Short-term liquid deposits

Short-term liquid deposits are term deposits maturing more than three months after placement.

19. Provisions

Provisions are recognised in the financial statements when:

- the University has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of economic benefits will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

20. Accounting for joint operations, jointly controlled assets and jointly controlled operations

The University accounts for its share of joint ventures using the equity method.

The University accounts for its share of transactions from joint operations and jointly controlled assets in the Consolidated Statement of Comprehensive Income.

21. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided in full on timing differences that exist at the reporting date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in periods in which the timing differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the reporting date. Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent

that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are not discounted.

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from UK corporation tax in respect of income or capital gains received within categories covered by Sections 478–488 of the Corporation Tax Act 2010 (CTA 2010) 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). Irrecoverable VAT on expenditure (revenue and capital) is included in the costs of such expenditure. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The Universities subsidiary companies are subject to Corporation Tax and VAT in the same way as any commercial organisation.

22. Financial instruments

The University applies the provisions of Sections 11 and 12 of FRS 102 in full. The University's financial assets and liabilities all meet the criteria for basic financial instruments prescribed within FRS 102 Section 11.8.

23. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

24. Critical accounting estimates and judgements

The preparation of the University's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management consider the areas set out below to be those where critical accounting judgements have been applied and the resulting estimates and assumptions may lead to adjustments to the future carrying amounts of assets and liabilities:

RBP pension scheme

The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of the plan, such estimates are subject to significant uncertainty and can have a material impact on the provision and Other Comprehensive Income. The assumptions used by the actuary are included in Note 28 to the accounts.

A High Court case concluded on 26 October 2018 and confirmed that defined benefit schemes should be amended to equalise pension benefits for men and women in relation to Guaranteed Minimum Pension (GMP). The court approved more than one potential equalisation method. Method C2 has been used to calculate the GMP equalisation and the calculation has allowed for all back payments. The allowance used is 0.5% of the opening defined benefit obligation. This resulted in an estimated GMP equalisation cost of £1.6m which has been included as a past service cost. Given time constraints, calculations of the cost are necessarily approximate and the RBP Trustee has not yet agreed the equalisation method.

USS pension scheme

The University is satisfied that USS meets the definition of a multi-employer scheme and has therefore recognised a provision for the discounted fair value of the contractual contributions under the funding plan in existence at the balance sheet date. This funding plan was agreed in January 2019 and is based on the 2017 actuarial valuation. It requires employers to contribute 5% of salaries towards repairing the deficit from 1 April 2020 to 30 June 2034 (with no deficit contributions in the period from 1 April 2019 to 31 March 2020).

The University has used the deficit modeller provided by the British Universities Finance Director's Group (BUFDG) in order to calculate the liability. We have applied our own assumptions:

- future staff increases based on our five year forecast with nil growth after that period
- salary inflation based on our five year forecast with an annual 3% increase after that period
- discount rate 1.61% based on guidance produced for BUFDG by Mercer Limited

Since the year end, following completion of the 2018 actuarial valuation a new deficit recovery plan has been agreed. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019, and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £72.6m, a decrease of £52.5m from the current year end provision and a £52.5m lower charge to the Statement of Comprehensive Income. In the judgement of the University, it remains appropriate to account for the USS deficit obligation in accordance with the plan in place at the balance sheet date and so the significant adjustment arising from the new plan will be reflected in the University's Financial Statements for the year ended 31 July 2020.

Useful lives of property, plant and equipment

Property, plant and equipment represent a significant proportion of the University's total assets. Therefore, the estimated useful lives can have a significant impact on the depreciation charged and the University's reported performance. Useful lives are determined at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events.

Impairments

Management make judgements as to whether any indicators of impairment are present for any of the University's assets.

Holiday pay

The holiday pay accrual is calculated using a sample of schools and services.

Royalty monetisation

During the year, the University sold its rights to receive royalties in relation to a cancer drug developed in partnership with Cancer Research UK. The gross amount received was £23.6m. There are no terms and conditions in the contract with the buyer to indicate the revenue should be deferred and the University was entitled to receive the income on completion of the contract. The gross amount is recorded as income during the year.

All intellectual property (IP) developed by University employees as part of their employment is owned by the University. However, under University policy, contributors to the development of IP are entitled to receive a share of income flowing from that IP. The payments made by the University to contributors are treated as income from employment and appropriate tax deductions are made. £8.6m has been included in staff costs.

Consolidated and University Statement of Comprehensive Income

for the year ended 31 July 2019

	Note	CONSOLIDATED		UNIVERSITY	
		2019	2018	2019	2018
INCOME		£m	£m	£m	£m
Tuition fees and education contracts	1	264.5	252.4	250.0	235.5
Funding body grants	2	71.9	70.0	71.9	70.0
Research grants and contracts	3	108.7	109.4	108.7	109.4
Other income	4	117.0	73.7	121.3	75.1
Investment income	5	2.5	2.5	2.5	2.6
Donations and endowments	6	6.0	3.1	6.0	3.1
Total income		<u>570.6</u>	<u>511.1</u>	<u>560.4</u>	<u>495.7</u>
EXPENDITURE					
Staff costs	7	387.8	285.1	380.0	278.1
Other operating expenses	8	199.4	183.7	194.6	177.6
Depreciation	12	28.5	24.3	27.3	23.2
Amortisation	13	–	0.1	–	0.1
Interest and other finance costs	9	6.2	6.3	4.1	4.3
Total expenditure	10	<u>621.9</u>	<u>499.5</u>	<u>606.0</u>	<u>483.3</u>
(Deficit) / surplus before other gains / losses and share of deficit of joint ventures and associate		(51.3)	11.6	(45.6)	12.4
Gain on disposal of tangible assets		–	1.4	–	1.4
Gain on revaluation of non-current asset investment		–	0.3	–	0.3
Gain on investments	21	4.9	5.9	4.9	5.9
Share of surplus / (deficit) in joint ventures	15	2.2	(0.5)	–	–
Share of deficit in associate	16	–	(0.2)	–	–
(Deficit) / surplus before tax		<u>(44.2)</u>	<u>18.5</u>	<u>(40.7)</u>	<u>20.0</u>
Taxation	11	(0.2)	(0.1)	–	(0.1)
(Deficit) / surplus for the year		<u>(44.4)</u>	<u>18.4</u>	<u>(40.7)</u>	<u>19.9</u>
OTHER COMPREHENSIVE INCOME					
Actuarial (loss) / gain in respect of pension scheme	28	(19.2)	20.3	(19.2)	20.3
Total comprehensive (expenditure) / income for the year		<u>(63.6)</u>	<u>38.7</u>	<u>(59.9)</u>	<u>40.2</u>
Represented by:					
Endowment comprehensive income for the year	21	4.5	5.4	4.5	5.4
Restricted comprehensive expenditure for the year	22	–	(0.4)	–	(0.4)
Unrestricted comprehensive (expenditure) / income for the year		(68.1)	33.7	(64.4)	35.2
Attributable to the University		<u>(63.6)</u>	<u>38.7</u>	<u>(59.9)</u>	<u>40.2</u>

All items of income and expenditure arise from continuing operations.

Consolidated and University Statement of Changes in Reserves

for the year ended 31 July 2019

CONSOLIDATED	Income and expenditure account			Total excluding non-controlling interest £m	Non- controlling interest £m	Total £m
	Endowment £m	Restricted £m	Unrestricted £m			
Balance at 1 August 2017	75.2	1.0	347.7	423.9	0.1	424.0
Surplus for the year	8.0	13.7	(3.3)	18.4	–	18.4
Other comprehensive income	–	–	20.3	20.3	–	20.3
Release of endowment and restricted funds spent	(2.6)	(14.1)	16.7	–	–	–
Total comprehensive income / (expenditure) for the year	5.4	(0.4)	33.7	38.7	–	38.7
Balance at 1 August 2018	80.6	0.6	381.4	462.6	0.1	462.7
Deficit for the year	6.7	29.4	(80.5)	(44.4)	–	(44.4)
Other comprehensive expenditure	–	–	(19.2)	(19.2)	–	(19.2)
Release of endowment and restricted funds spent	(2.2)	(29.4)	31.6	–	–	–
Total comprehensive income / (expenditure) for the year	4.5	–	(68.1)	(63.6)	–	(63.6)
Balance at 31 July 2019	85.1	0.6	313.3	399.0	0.1	399.1

UNIVERSITY	Income and expenditure account			Total excluding non-controlling interest £m	Non- controlling interest £m	Total £m
	Endowment £m	Restricted £m	Unrestricted £m			
Balance at 1 August 2017	75.2	1.0	352.9	429.1	–	429.1
Surplus for the year	8.0	13.7	(1.8)	19.9	–	19.9
Other comprehensive income	–	–	20.3	20.3	–	20.3
Release of endowment and restricted funds spent	(2.6)	(14.1)	16.7	–	–	–
Total comprehensive income / (expenditure) for the year	5.4	(0.4)	35.2	40.2	–	40.2
Balance at 1 August 2018	80.6	0.6	388.1	469.3	–	469.3
Deficit for the year	6.7	29.4	(76.8)	(40.7)	–	(40.7)
Other comprehensive expenditure	–	–	(19.2)	(19.2)	–	(19.2)
Release of endowment and restricted funds spent	(2.2)	(29.4)	31.6	–	–	–
Total comprehensive income / (expenditure) for the year	4.5	–	(64.4)	(59.9)	–	(59.9)
Balance at 31 July 2019	85.1	0.6	323.7	409.4	–	409.4

Consolidated and University Balance Sheet

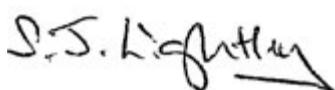
as at 31 July 2019

		CONSOLIDATED		UNIVERSITY	
	Note	2019	2018	2019	2018
		£m	£m	£m	£m
NON-CURRENT ASSETS					
Tangible assets	12	606.5	499.9	583.8	481.1
Investments	14	84.5	81.7	103.0	100.8
Investment in joint ventures	15	16.3	13.7	–	–
Investment in associate	16	0.5	0.5	–	–
		<u>707.8</u>	<u>595.8</u>	<u>686.8</u>	<u>581.9</u>
CURRENT ASSETS					
Stocks in hand		0.9	0.8	0.9	0.8
Trade and other receivables	17	49.0	49.3	61.4	52.5
Short-term liquid deposits		75.3	109.2	75.3	109.2
Cash and cash equivalents	23	51.9	65.7	40.6	53.1
		<u>177.1</u>	<u>225.0</u>	<u>178.2</u>	<u>215.6</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	18	(140.4)	(122.7)	(135.1)	(116.3)
NET CURRENT ASSETS					
		<u>36.7</u>	<u>102.3</u>	<u>43.1</u>	<u>99.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		744.5	698.1	729.9	681.2
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	19	(142.1)	(140.9)	(117.2)	(117.4)
PENSION PROVISIONS					
	20	(203.3)	(94.5)	(203.3)	(94.5)
TOTAL NET ASSETS					
		<u>399.1</u>	<u>462.7</u>	<u>409.4</u>	<u>469.3</u>
RESTRICTED RESERVES					
Income and expenditure reserve – endowment reserve	21	78.0	73.7	78.0	73.7
Income and expenditure reserve – restricted reserve	22	0.6	0.6	0.6	0.6
UNRESTRICTED RESERVES					
Income and expenditure reserve – endowment reserve	21	7.1	6.9	7.1	6.9
Income and expenditure reserve – unrestricted reserve		<u>313.3</u>	<u>381.4</u>	<u>323.7</u>	<u>388.1</u>
		399.0	462.6	409.4	469.3
NON-CONTROLLING INTEREST					
		0.1	0.1	–	–
TOTAL RESERVES					
		<u>399.1</u>	<u>462.7</u>	<u>409.4</u>	<u>469.3</u>

The accompanying statement of principal accounting policies and Notes 1 to 30 form part of these financial statements. The financial statements were approved by Council on 14 October 2019 and signed on its behalf by:



C P DAY,
Vice-Chancellor and President



S J LIGHTLEY,
Treasurer



R C DALE,
Executive Director of Finance

Consolidated Cash Flow Statement

for the year ended 31 July 2019

	Note	2019 £m	2018 £m
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit) / surplus for the year		(44.4)	18.4
Adjustment for non-cash items			
Depreciation	12	28.5	24.3
Amortisation of intangibles	13	–	0.1
Gain on investments	21	(4.9)	(5.9)
Increase in stock		(0.1)	(0.7)
(Increase) / decrease in debtors		(2.1)	8.8
Increase in creditors		19.3	3.3
Increase in pension provision		89.6	6.5
Share of (surplus) / deficit in joint ventures	15	(2.2)	0.5
Share of deficit in associate	16	–	0.2
Adjustment for investing or financing activities			
Investment income	5	(2.5)	(2.5)
Interest payable		3.9	3.9
Endowment income	21	(0.9)	(0.9)
Gain on disposal of tangible assets		–	(1.4)
Gain on revaluation of non-current asset investment		–	(0.3)
Capital grant income		(29.9)	(14.2)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>54.3</u>	<u>40.1</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of tangible assets		–	2.5
Capital grants receipts		29.9	14.2
Proceeds from sale of endowment investments		22.8	26.2
Payments made to acquire endowment investments		(20.1)	(28.4)
Investment income		2.3	2.9
Profit distribution from joint venture		2.7	1.3
Payments made to acquire tangible assets		(133.8)	(103.7)
New investment in joint ventures and associate		(2.7)	(3.5)
Decrease in short-term liquid deposits		33.9	28.9
		<u>(65.0)</u>	<u>(59.6)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(1.9)	(1.9)
Interest element of finance lease		(2.1)	(2.0)
Endowment cash received	21	0.9	0.9
		<u>(3.1)</u>	<u>(3.0)</u>
DECREASE IN CASH AND CASH EQUIVALENTS IN THE YEAR		<u>(13.8)</u>	<u>(22.5)</u>
Cash and cash equivalents at beginning of the year	23	65.7	88.2
Cash and cash equivalents at end of the year	23	51.9	65.7

Notes to the Financial Statements

1 TUITION FEES AND EDUCATION CONTRACTS	CONSOLIDATED		UNIVERSITY	
	2019 £m	2018 £m	2019 £m	2018 £m
Full-time students	165.2	157.0	165.2	157.0
Full-time students charged overseas fees, UK taught	75.9	70.0	75.9	70.0
Full-time students charged overseas fees, overseas taught	14.5	16.9	–	–
Part-time fees	2.8	2.9	2.8	2.9
Research training support grants	3.5	3.0	3.5	3.0
Short courses	2.6	2.6	2.6	2.6
	<u>264.5</u>	<u>252.4</u>	<u>250.0</u>	<u>235.5</u>

2 FUNDING BODY GRANTS	CONSOLIDATED AND UNIVERSITY	
	2019 £m	2018 £m
Recurrent grant	59.6	57.9
Specific grants	6.3	6.0
Capital Investment Framework (CIF) grants	6.0	6.1
	<u>71.9</u>	<u>70.0</u>

Funding was provided by HEFCE up until 31 March 2018, the OfS and Research England have provided funding from 1 April 2018 onward.

3 RESEARCH GRANTS AND CONTRACTS	CONSOLIDATED AND UNIVERSITY	
	2019 £m	2018 £m
Research Councils	36.0	35.3
UK charities	26.4	26.3
UK government	20.7	21.0
European Commission	12.6	13.0
Other grants and contracts	13.0	13.8
	<u>108.7</u>	<u>109.4</u>

4 OTHER INCOME	CONSOLIDATED		UNIVERSITY	
	2019 £m	2018 £m	2019 £m	2018 £m
Residences, catering and conferences	25.3	20.8	25.3	20.8
Other services rendered	19.2	20.9	19.2	20.9
Health authorities	8.4	8.0	8.4	8.0
Other capital grants	20.9	5.7	20.9	5.7
Royalty monetisation	23.6	–	23.6	–
Other income	19.6	18.3	19.0	17.5
Income from subsidiary companies	–	–	4.9	2.2
	<u>117.0</u>	<u>73.7</u>	<u>121.3</u>	<u>75.1</u>

5 INVESTMENT INCOME	CONSOLIDATED		UNIVERSITY	
	2019 £m	2018 £m	2019 £m	2018 £m
Investment income on endowments (Note 21)	0.9	1.2	0.9	1.2
Other investment income	1.6	1.3	1.6	1.4
	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.6</u>

Notes to the Financial Statements (continued)

6 DONATIONS AND ENDOWMENTS

CONSOLIDATED AND UNIVERSITY

	2019	2018
	£m	£m
New endowments net of transfers out from expendable endowments (Note 21)	0.9	0.9
Donations with restrictions	2.5	2.2
Unrestricted donations	2.6	–
	<u>6.0</u>	<u>3.1</u>

7 STAFF

CONSOLIDATED

UNIVERSITY

	2019	2018	2019	2018
	£m	£m	£m	£m
Staff Costs				
Salaries	227.4	212.7	219.8	205.9
Social security costs	23.1	21.5	22.9	21.3
Other pension costs (Note 28)	50.0	46.8	50.0	46.8
Total before pension adjustments	<u>300.5</u>	<u>281.0</u>	<u>292.7</u>	<u>274.0</u>
Movement on USS provision (Note 20)	80.2	(2.0)	80.2	(2.0)
RBP Pension service cost adjustment (Note 20)	7.1	6.1	7.1	6.1
	<u>387.8</u>	<u>285.1</u>	<u>380.0</u>	<u>278.1</u>

Further audited information and disclosures as required by the OfS Accounts direction are included in the Remuneration Report on pages 65-68.

Staff Numbers

	2019	2018
	Average FTEs	Average FTEs
Academic	1,671	1,627
Support	3,059	2,983
Research	1,029	1,049
	<u>5,759</u>	<u>5,659</u>

8 OTHER OPERATING EXPENSES

CONSOLIDATED

UNIVERSITY

	2019	2018	2019	2018
	£m	£m	£m	£m
Professional fees and bought in services	48.9	42.1	48.1	41.0
Staff-related expenditure	26.5	25.9	25.7	25.0
Student scholarships, bursaries and prizes	26.1	26.2	26.0	26.1
Consumables and laboratory expenditure	18.1	18.0	17.8	17.6
Non-capitalised equipment purchases and maintenance	20.7	19.7	20.3	18.6
Operating lease rentals – land and buildings	8.6	8.5	8.5	8.3
Rents, rates and insurance	4.1	3.9	3.0	3.1
Heat, light, water and power	10.9	9.9	10.4	9.4
Building maintenance	13.5	8.2	13.4	8.2
Books and periodicals	7.1	6.9	7.0	6.8
NHS and agency staff	4.5	4.4	4.5	4.4
Communications, advertising and publicity	3.4	2.9	2.9	2.3
Students' Union annual subvention	2.1	2.3	2.1	2.3
Other expenditure	4.9	4.8	4.9	4.5
	<u>199.4</u>	<u>183.7</u>	<u>194.6</u>	<u>177.6</u>

Professional fees and bought in services include auditor's remuneration in respect of audit services for the Group of £103,786 to Ernst & Young LLP (2018: £100,495) and for the University of £52,124 (2018: £53,514). In respect of non-audit services remuneration amounted to £8,842 (2018: £37,200) for the Group and University.

Notes to the Financial Statements (continued)

9 INTEREST AND OTHER FINANCE COSTS	CONSOLIDATED		UNIVERSITY	
	2019	2018	2019	2018
	£m	£m	£m	£m
Loan interest	1.8	1.9	1.8	1.9
Finance lease interest	2.1	2.0	–	–
Net charge on pension schemes (Note 28)	2.3	2.4	2.3	2.4
	<u>6.2</u>	<u>6.3</u>	<u>4.1</u>	<u>4.3</u>

10 ANALYSIS OF 2018–19 EXPENDITURE BY ACTIVITY	CONSOLIDATED				
	Staff Costs	Other Operating Expenses	Depreciation and Amortisation	Interest and Other Finance Costs	Total
	£m	£m	£m	£m	£m
Academic schools	167.1	42.3	4.7	–	214.1
Academic services	26.2	21.9	0.9	–	49.0
Administration and central services	28.3	46.4	–	–	74.7
Premises	11.7	34.3	14.9	2.1	63.0
Residences, catering and conferences	4.5	14.3	4.5	–	23.3
Research grants and contracts	51.9	36.9	–	–	88.8
Other expenditure	98.1	3.3	3.5	4.1	109.0
Total per Statement of Comprehensive Income	<u>387.8</u>	<u>199.4</u>	<u>28.5</u>	<u>6.2</u>	<u>621.9</u>

Administration and central services and research grants and contracts include £23.6m (2018: £23.6m) and £2.5m (2018: £2.5m) respectively in respect of payments made for bursaries, prizes, scholarships or other similar awards.

	UNIVERSITY				
	Staff Costs	Other Operating Expenses	Depreciation and Amortisation	Interest and Other Finance Costs	Total
	£m	£m	£m	£m	£m
Academic schools	159.3	38.9	4.3	–	202.5
Academic services	26.2	21.9	0.9	–	49.0
Administration and central services	28.3	46.4	–	–	74.7
Premises	11.7	33.0	14.0	–	58.7
Residences, catering and conferences	4.5	14.3	4.5	–	23.3
Research grants and contracts	51.9	36.9	–	–	88.8
Other expenditure	98.1	3.2	3.6	4.1	109.0
Total per Statement of Comprehensive Income	<u>380.0</u>	<u>194.6</u>	<u>27.3</u>	<u>4.1</u>	<u>606.0</u>

Administration and central services and research grants and contracts include £23.5m (2018: £23.5m) and £2.5m (2018: £2.5m) respectively in respect of payments made for bursaries, prizes, scholarships or other similar awards.

11 TAXATION	CONSOLIDATED		UNIVERSITY	
	2019	2018	2019	2018
	£m	£m	£m	£m
Republic of Singapore withholding tax at 17%	–	0.1	–	0.1
Malaysian corporation tax at 24%	0.3	(0.2)	–	–
United Kingdom corporation tax at average rate of 19%	(0.1)	0.2	–	–
	<u>0.2</u>	<u>0.1</u>	<u>–</u>	<u>0.1</u>

Notes to the Financial Statements (continued)

12 TANGIBLE ASSETS

	CONSOLIDATED					
	Land and Buildings			Assets under Construction	Equipment	Total
	Freehold	Leasehold				
£m	Long	Short	£m	£m	£m	
Cost						
Balance at 1 August 2018	350.7	156.7	22.2	117.3	103.8	750.7
Additions	8.7	–	0.7	114.8	9.6	133.8
Foreign exchange retranslation	–	1.2	0.1	–	–	1.3
Transfers from assets under construction	130.3	–	–	(130.3)	–	–
Disposals	–	–	–	–	(3.3)	(3.3)
Balance at 31 July 2019	<u>489.7</u>	<u>157.9</u>	<u>23.0</u>	<u>101.8</u>	<u>110.1</u>	<u>882.5</u>
Depreciation						
Balance at 1 August 2018	90.0	69.3	10.5	–	81.0	250.8
Charge for year	13.2	4.9	1.4	–	9.0	28.5
Eliminated on disposals	–	–	–	–	(3.3)	(3.3)
Balance at 31 July 2019	<u>103.2</u>	<u>74.2</u>	<u>11.9</u>	<u>–</u>	<u>86.7</u>	<u>276.0</u>
Net Book Value						
At 31 July 2019	<u>386.5</u>	<u>83.7</u>	<u>11.1</u>	<u>101.8</u>	<u>23.4</u>	<u>606.5</u>
At 1 August 2018	<u>260.7</u>	<u>87.4</u>	<u>11.7</u>	<u>117.3</u>	<u>22.8</u>	<u>499.9</u>

At 31 July 2019, freehold land and buildings included £84.5m (2018: £76.7m) in respect of freehold land which is not depreciated.

The net book value of assets held under finance leases at 31 July 2019 is £19.9m (2018: £19.5m) and the related depreciation charge for the year was £0.8m (2018: £0.8m).

	UNIVERSITY					
	Land and Buildings			Assets under Construction	Equipment	Total
	Freehold	Leasehold				
£m	Long	Short	£m	£m	£m	
Cost						
Balance at 1 August 2018	350.6	133.4	20.8	119.3	102.1	726.2
Additions	4.1	–	–	116.3	9.6	130.0
Transfers from assets under construction	133.9	–	–	(133.9)	–	–
Disposals	–	–	–	–	(3.3)	(3.3)
Balance at 31 July 2019	<u>488.6</u>	<u>133.4</u>	<u>20.8</u>	<u>101.7</u>	<u>108.4</u>	<u>852.9</u>
Depreciation						
Balance at 1 August 2018	90.0	65.5	10.1	–	79.5	245.1
Charge for year	13.2	4.1	1.2	–	8.8	27.3
Eliminated on disposals	–	–	–	–	(3.3)	(3.3)
Balance at 31 July 2019	<u>103.2</u>	<u>69.6</u>	<u>11.3</u>	<u>–</u>	<u>85.0</u>	<u>269.1</u>
Net Book Value						
At 31 July 2019	<u>385.4</u>	<u>63.8</u>	<u>9.5</u>	<u>101.7</u>	<u>23.4</u>	<u>583.8</u>
At 1 August 2018	<u>260.6</u>	<u>67.9</u>	<u>10.7</u>	<u>119.3</u>	<u>22.6</u>	<u>481.1</u>

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 Financial Statements (continued)

13 INTANGIBLE ASSETS

CONSOLIDATED AND UNIVERSITY

	2019 £m	2018 £m
Cost		
Balance at 1 August	0.4	0.4
Additions	–	–
Balance at 31 July	<u>0.4</u>	<u>0.4</u>
Amortisation		
Balance at 1 August	0.4	0.3
Charge for year	–	0.1
Balance at 31 July	<u>0.4</u>	<u>0.4</u>
Net Book Value	<u>–</u>	<u>–</u>

Intangible assets represent costs incurred for open access to a suite of cloud-based software packages.

14 NON-CURRENT INVESTMENTS

CONSOLIDATED

UNIVERSITY

	2019 £m	2018 £m	2019 £m	2018 £m
Shares in subsidiary undertakings at cost less amounts written off				
At 1 August	–	–	19.1	3.7
Additions	–	–	–	15.4
At 31 July	<u>–</u>	<u>–</u>	<u>19.1</u>	<u>19.1</u>
Other investments other than loans at cost				
At 1 August	0.4	0.1	0.4	0.1
Other movements in year	0.6	0.3	–	0.3
At 31 July	<u>1.0</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>
Fixed interest stock and equities relating to endowments	83.5	81.3	83.5	81.3
Total fixed asset investments	<u>84.5</u>	<u>81.7</u>	<u>103.0</u>	<u>100.8</u>

Notes to the Financial Statements (continued)

14 NON-CURRENT INVESTMENTS (continued)

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	Holding of Ordinary		Nature of Business
	Shares	%	
NUMed Malaysia sdn bhd	100		A company incorporated in Malaysia for the provision of tertiary courses focusing on medical education.
NUInternational Singapore pte Limited	100		A company incorporated in Singapore for collaborative teaching and research.
Newcastle Research & Innovation Institute pte Limited	100		A company incorporated in Singapore for postgraduate teaching and research.
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.
Newcastle University Developments Limited	100		Provides construction services 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 ventures INTO Newcastle University LLP and Newcastle University INTO London LLP.
Newcastle University Enterprises Limited (*)	100		This company is dormant.
NUINTO Limited	51		Provides the teaching of English language skills.

(*) For the year ended 31 July 2019 Newcastle University Enterprises Limited (CRN:06331269) was exempt from the requirement to prepare individual accounts by virtue of section 394A of the Companies Act 2006 relating to dormant subsidiaries.

University membership in companies limited by guarantee:

The Russell Group
 Newcastle Science Company Limited
 Universities UK
 North East Universities Purchasing Consortium (NEUPC)
 Centre for Innovation Excellence in Livestock
 Centre for Crop Health and Protection
 The Academic Health Science Network for the North East and North Cumbria

Other investments other than loans	Voting Rights %	CONSOLIDATED		UNIVERSITY	
		2019 £m	2018 £m	2019 £m	2018 £m
CVCP Properties PLC	1.3	0.4	0.4	0.4	0.4
Demuris Limited Preference shares		0.6	–	–	–
		<u>1.0</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</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.

Notes to the Financial Statements (continued)

15 INVESTMENT IN JOINT VENTURES

INTO Newcastle University LLP is a joint venture between the University and INTO University Partnerships Limited. A 50% share of the LLP's net assets and liabilities is included in the University's Consolidated Balance Sheet and 50% of its operating profit or loss is reported in the University's Consolidated Statement of Comprehensive Income. 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 (2018: £nil) was due from INTO Newcastle University LLP to the University.

INTO Newcastle University London LLP is a joint venture between the University and INTO University Partnerships Limited. A 50% share of the LLP's net assets and liabilities is included in the University's Consolidated Balance Sheet and 50% of its operating profit or loss is reported in the University's Consolidated Statement of Comprehensive Income. INTO Newcastle University London LLP's principal activity is the provision of education and residential accommodation for students. At the year end an amount of £4,601,229 (2018: £5,273,368) was due from INTO Newcastle University London LLP to the University.

Newcastle Science Central LLP and Newcastle Science Central Management LLP are joint ventures between the University and Newcastle City Council. The principal activity of these joint ventures is the sale and lease of land for the development of the Newcastle Helix site in Newcastle upon Tyne. A 37% share of the losses of both LLP's to date is reported in the University's Consolidated Statement of Comprehensive Income and the University's interest in the net assets and liabilities of both LLPs is included in the University's Consolidated Balance Sheet. At the year end an amount of £nil (2018: £nil) and £2,329,449 (2018: £784,434) was due from each entity respectively to the University.

Newcastle Science Central Developments LLP is a joint venture between the University, Newcastle City Council and Legal & General which aims to market the Newcastle Helix site to create a global centre for urban innovation in Newcastle.

	2019	2018
	£m	£m
Share of operating surplus / (deficit):		
INTO Newcastle University LLP	2.9	1.9
INTO Newcastle University London LLP	(0.5)	(1.2)
Newcastle Science Central LLP	–	(0.6)
Newcastle Science Central Management LLP	–	(0.3)
Newcastle Science Central Developments LLP	(0.2)	(0.3)
	<u>2.2</u>	<u>(0.5)</u>
Share of gross assets:		
INTO Newcastle University LLP	13.3	10.5
INTO Newcastle University London LLP	2.3	3.4
Newcastle Science Central LLP	2.7	3.1
Newcastle Science Central Management LLP	18.2	14.9
Newcastle Science Central Developments LLP	0.5	0.3
	<u>37.0</u>	<u>32.2</u>
Share of gross liabilities:		
INTO Newcastle University LLP	(12.4)	(9.7)
INTO Newcastle University London LLP	(5.3)	(5.9)
Newcastle Science Central LLP	(2.3)	(2.3)
Newcastle Science Central Management LLP	(0.3)	(0.3)
Newcastle Science Central Developments LLP	(0.4)	(0.3)
	<u>(20.7)</u>	<u>(18.5)</u>
Share of net assets / (liabilities):		
INTO Newcastle University LLP	0.9	0.8
INTO Newcastle University London LLP	(3.0)	(2.5)
Newcastle Science Central LLP	0.4	0.8
Newcastle Science Central Management LLP	17.9	14.6
Newcastle Science Central Developments LLP	0.1	–
	<u>16.3</u>	<u>13.7</u>

Notes to the Financial Statements (continued)

16 INVESTMENT IN ASSOCIATE

The University has a 24% holding in Tyne Subsea Limited, whose principal activity is the creation of a Centre of Excellence for Hyperbaric Testing in the Newcastle area. This holding has been treated as an associated undertaking. A 24% share of the company's losses to date is reported in the University's Consolidated Statement of Comprehensive Income and a 24% share of the company's net assets is shown in the University's Consolidated Balance Sheet. At the year end an amount of £500,000 (2018: £500,000) was due from Tyne Subsea Limited to the University.

	2019	2018
	£m	£m
Share of operating deficit	–	(0.2)
Share of gross assets	2.4	2.4
Share of gross liabilities	(1.9)	(1.9)
Share of net assets	<u>0.5</u>	<u>0.5</u>

17 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		UNIVERSITY	
	2019	2018	2019	2018
	£m	£m	£m	£m
Research grants receivables	15.2	16.4	15.2	16.4
Other trade receivables	22.1	20.3	22.2	19.0
Amounts owed by subsidiary undertakings	–	–	15.2	7.6
Prepayments and accrued income	10.5	10.9	8.2	8.5
Other debtors	1.2	1.7	0.6	1.0
	<u>49.0</u>	<u>49.3</u>	<u>61.4</u>	<u>52.5</u>

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED		UNIVERSITY	
	2019	2018	2019	2018
	£m	£m	£m	£m
Obligations under finance leases (Note 26)	2.2	2.1	–	–
Research collaborator creditors	21.0	15.0	21.0	15.0
Other creditors	5.3	10.6	5.3	10.6
Social security and other taxation payable	10.0	9.0	9.6	8.6
Accruals and deferred income	101.9	86.0	99.2	82.1
	<u>140.4</u>	<u>122.7</u>	<u>135.1</u>	<u>116.3</u>

Deferred income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance-related conditions have been met.

	CONSOLIDATED		UNIVERSITY	
	2019	2018	2019	2018
	£m	£m	£m	£m
Research grants received on account	43.7	37.2	43.7	37.2
Tuition fees and education contracts	2.2	2.4	2.2	2.4
Funding body grants	0.3	1.7	0.3	1.7
Other income	10.3	6.3	10.3	6.3
	<u>56.5</u>	<u>47.6</u>	<u>56.5</u>	<u>47.6</u>

Notes to the Financial Statements (continued)

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	CONSOLIDATED		UNIVERSITY	
	2019 £m	2018 £m	2019 £m	2018 £m
Fixed-term, unsecured loan repayable by 2046	100.0	100.0	100.0	100.0
Accruals and deferred income	17.2	17.4	17.2	17.4
Obligations under finance leases (Note 26)	24.9	23.5	–	–
	<u>142.1</u>	<u>140.9</u>	<u>117.2</u>	<u>117.4</u>

	Effective Interest Rate %	CONSOLIDATED AND UNIVERSITY	
		2019 £m	2018 £m
The fixed term unsecured loan is repayable in accordance with the following profile:			
Infrastructure and refurbishment loan due after one year but not more than five years	1.87	<u>12.0</u>	<u>8.0</u>
Infrastructure and refurbishment loan due after more than five years	1.87	<u>88.0</u>	<u>92.0</u>

20 PENSION PROVISIONS

	CONSOLIDATED AND UNIVERSITY		
	Obligations to fund deficit on USS Pension (Note 28)	RBP defined benefit obligation (Note 28)	Total pension provisions
	£m	£m	£m
At 1 August 2018	43.9	50.6	94.5
Increase in staff costs	80.2	7.1	87.3
Pension finance interest charge	1.0	1.3	2.3
Actuarial loss	–	19.2	19.2
At 31 July 2019 (Note 28)	<u>125.1</u>	<u>78.2</u>	<u>203.3</u>

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme to make deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels and salary inflation for the duration of the contractual obligation.

The adoption of the new recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £43.9m to £125.1m.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in Note 28. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £72.6m, a decrease of £52.5m from the current year end provision.

Notes to the Financial Statements (continued)

21 ENDOWMENT RESERVES

CONSOLIDATED AND UNIVERSITY

	Unrestricted Permanent £m	Restricted Permanent £m	Restricted Expendable £m	Restricted Total £m	2019 Total £m	2018 Total £m
At 1 August						
Capital	2.7	17.5	16.8	34.3	37.0	35.4
Unapplied return	4.2	28.6	10.8	39.4	43.6	39.8
	<u>6.9</u>	<u>46.1</u>	<u>27.6</u>	<u>73.7</u>	<u>80.6</u>	<u>75.2</u>
New endowments	–	1.0	0.4	1.4	1.4	1.6
Transfer out from endowments	(0.1)	–	(0.4)	(0.4)	(0.5)	(0.7)
Increase in market value of investments	0.4	2.8	1.7	4.5	4.9	5.9
Income	0.1	0.5	0.3	0.8	0.9	1.2
Expenditure	(0.2)	(1.8)	(0.2)	(2.0)	(2.2)	(2.6)
Comprehensive income for the year	<u>0.2</u>	<u>2.5</u>	<u>1.8</u>	<u>4.3</u>	<u>4.5</u>	<u>5.4</u>
At 31 July	<u>7.1</u>	<u>48.6</u>	<u>29.4</u>	<u>78.0</u>	<u>85.1</u>	<u>80.6</u>
Represented by:						
Capital	2.6	18.5	17.2	35.7	38.3	37.0
Unapplied return	4.5	30.1	12.2	42.3	46.8	43.6
	<u>7.1</u>	<u>48.6</u>	<u>29.4</u>	<u>78.0</u>	<u>85.1</u>	<u>80.6</u>
Analysis by type of purpose:						
Regional Chairs Benefaction	–	20.5	–	20.5	20.5	23.8
Chairs, fellowships, lectureships	–	7.5	2.9	10.4	10.4	9.1
Research support	–	1.7	6.3	8.0	8.0	6.6
Lectures	–	2.0	1.1	3.1	3.1	0.8
Scholarships and bursaries	–	3.7	14.4	18.1	18.1	23.3
Prizes and travel awards	–	11.5	2.1	13.6	13.6	4.9
General	7.1	1.7	2.6	4.3	11.4	12.1
	<u>7.1</u>	<u>48.6</u>	<u>29.4</u>	<u>78.0</u>	<u>85.1</u>	<u>80.6</u>

The Regional Chairs Benefaction is an endowment which funds medical school posts.

Analysis by asset

Fixed interest stock and equities	83.5	81.3
Cash and cash equivalents	0.4	0.6
Other current balances	1.2	(1.3)
	<u>85.1</u>	<u>80.6</u>

Notes to the Financial Statements (continued)

22 RESTRICTED RESERVES

	Unspent HEFCE CIF and other capital grants £m	Grants and donations £m	2019 Total £m	2018 Total £m
Reserves with restrictions are as follows:				
Balances at 1 August 2018	–	0.6	0.6	1.0
New grants	26.9	–	26.9	11.4
New donations	0.7	1.8	2.5	2.3
Capital grants utilised	(27.5)	–	(27.5)	(12.2)
Expenditure	–	(1.9)	(1.9)	(1.9)
Total restricted comprehensive income for the year	0.1	(0.1)	–	(0.4)
At 31 July 2019	0.1	0.5	0.6	0.6

23 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		UNIVERSITY	
	2019 £m	2018 £m	2019 £m	2018 £m
Cash at bank and in hand	29.8	19.7	18.5	7.1
Endowment bank balances	0.4	0.6	0.4	0.6
Investments maturing less than three months after placement	21.7	45.4	21.7	45.4
	<u>51.9</u>	<u>65.7</u>	<u>40.6</u>	<u>53.1</u>

24 CAPITAL COMMITMENTS

	CONSOLIDATED AND UNIVERSITY	
	2019 £m	2018 £m
Commitments contracted at 31 July	<u>59.9</u>	<u>85.6</u>

25 CONTINGENT LIABILITIES

The University has four nomination agreements relating to student accommodation. The expiry dates and nominated rooms are: 2019-20 614 beds; 2021-22 586 beds. It is impracticable to estimate the full financial effect of these agreements but it is considered to be zero as the cash outflows should be reimbursed by the receipt of student residential income.

26 LEASE OBLIGATIONS

	CONSOLIDATED	
	2019 £m	2018 £m
Amounts due under finance leases:		
Amounts payable		
Within one year	2.2	2.1
In two to five years	9.4	8.6
In more than five years	51.0	50.4
	<u>62.6</u>	<u>61.1</u>
Less: finance charges allocated to future periods	(35.5)	(35.5)
	<u>27.1</u>	<u>25.6</u>
	2019	2018
	£m	£m
Annual rentals under operating lease commitments are as follows:		
Leases expiring		
In two to five years	1.8	2.1
Over five years	5.4	5.5
	<u>7.2</u>	<u>7.6</u>

Notes to the Financial Statements (continued)

27 ADJUSTED EBITDA AND UNDERLYING INCOME

Adjusted EBITDA

	CONSOLIDATED	
	2019	2018
	£m	£m
(Deficit) / surplus before tax	(44.2)	18.5
Gain on investments (Note 21)	(4.9)	(5.9)
Movement on USS provision (Note 20)	80.2	(2.0)
RPB Pension service cost adjustment (Note 20)	7.1	6.1
Interest and other finance costs (Note 9)	6.2	6.3
Depreciation (Note 12)	28.5	24.3
Amortisation (Note 13)	–	0.1
Adjusted EBITDA	<u>72.9</u>	<u>47.4</u>

Underlying income

	2019	2018
	£m	£m
Total income	570.6	511.1
Royalty monetisation	(23.6)	–
Capital grants	(20.9)	(5.7)
Underlying income	<u>526.1</u>	<u>505.4</u>

Impact of royalty monetisation

	2019	2018
	£m	£m
Income	23.6	–
Staff costs	(8.6)	–
Other operating expenses	(1.9)	–
	<u>13.1</u>	<u>–</u>

28 PENSION ARRANGEMENTS

The University participates in two main pension schemes, the Retirements Benefits Plan (1971) (RBP) and Universities Superannuation Scheme Limited (USS).

The University also has a small number of staff in the National Health Service Pension Scheme (NHSPS), the total cost of which was £2.3m (2018: £2.1m). This includes £0.3m (2018: £0.3m) outstanding contributions at the balance sheet date.

The total pension cost for the University was:

	2019	2018
	£m	£m
Contributions to USS	40.5	38.1
Contributions to RBP	7.2	6.6
Contributions to NHSS	2.3	2.1
Other pensions cost (Note 7)	50.0	46.8
Movement on USS provision	80.2	(2.0)
RBP Pension service cost adjustment	5.5	6.1
GMP equalisation*	1.6	–
Pensions costs included in staff costs	<u>137.3</u>	<u>50.9</u>
Pension finance interest (Note 9)	2.3	2.4
Pension cost including pension finance interest	139.6	53.3
Actuarial loss / (gain) relating to the RBP scheme	19.2	(20.3)
Total pension cost	<u>158.8</u>	<u>33.0</u>

Notes to the Financial Statements (continued)

28 PENSION ARRANGEMENTS (continued)

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 (excluding interest) to the University was £14.3m (2018: £12.7m). The contribution payable by the University was 13.25% of pensionable salaries until 31 March 2019 and 17.25% from 1 April 2019. There were no outstanding contributions at the balance sheet date.

The expected employer contribution to the plan during the next accounting year is £8.2m.

A full actuarial valuation was carried out as at 1 August 2016 and updated to 31 July 2019 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 July 2019	31 July 2018
Discount rate at year end	2.10%	2.75%
Future salary increases	3.65%	3.60%
RPI inflation	3.15%	3.10%
CPI inflation	2.15%	2.00%
Life expectancy of current pensioners (from age 65)	23.3	23.8
Life expectancy of future pensioners (from age 65)	24.6	25.0

The assets in the scheme were:

	Value at 31 July 2019 £m	Asset Allocation %	Value at 31 July 2018 £m	Asset Allocation %
Equities	112.1	38	108.2	42
Bonds	93.9	32	77.5	26
Property	11.7	4	11.5	4
Absolute return fund	58.6	20	52.2	22
Cash	18.0	6	13.4	6
Fair value of assets	294.3		262.8	
Present value of obligations	(372.5)		(313.4)	
Funded status	(78.2)		(50.6)	
Net pension liability	(78.2)		(50.6)	

Analysis of the amount shown in the Balance Sheet

	2019 £m	2018 £m
Present value of obligations	372.5	313.4
Fair value of plan assets	294.3	262.8
Funded status	(78.2)	(50.6)

Analysis of the amount charged to operating surplus

	2019 £m	2018 £m
Operating cost		
Current service cost	11.2	11.7
Administration costs	1.5	1.0
Past service cost	1.6	–
Financing cost		
Interest on net defined benefit liability	1.3	1.5
Total operating charge	15.6	14.2

Notes to the Financial Statements (continued)

28 PENSION ARRANGEMENTS (continued)

Amounts recognised in Other Comprehensive Income (OCI)	2019	2018
	£m	£m
Asset gains arising during the year	27.5	11.1
Liability (losses) / gains arising during the year	(46.7)	9.2
Actuarial (loss) / gain recognised in OCI	<u>(19.2)</u>	<u>20.3</u>
Change in defined benefit obligation	2019	2018
	£m	£m
Opening defined benefit obligation	313.4	312.3
Service cost	11.2	11.7
Interest cost	8.5	8.0
Actuarial losses / (gains)	46.7	(9.2)
Past service cost	1.6	–
Contribution by members	0.4	0.4
Benefits paid	(9.3)	(9.8)
Closing defined benefit obligation	<u>372.5</u>	<u>313.4</u>
Change in fair value of plan assets	2019	2018
	£m	£m
Opening fair value of plan assets	262.8	249.0
Gains on assets	27.5	11.1
Interest income on plan assets	7.2	6.5
Contributions by employer	7.2	6.6
Contributions by employees	0.4	0.4
Administration costs incurred	(1.5)	(1.0)
Benefits paid	(9.3)	(9.8)
Closing fair value of plan assets	<u>294.3</u>	<u>262.8</u>

*Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. Historically, there was an inequality of benefits between male and female members who have GMP. A High Court case concluded on 26 October 2018 and confirmed that GMPs should be equalised. An estimated cost of £1.6m (0.5% of opening defined benefit obligation) for the potential cost of GMP equalisation has been included as a past service cost.

USS

USS is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

Because of the mutual nature of the scheme, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee benefits', the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period. Since the University has entered into an agreement (the 'Recovery Plan') that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The latest available complete actuarial valuation of the Retirement Income Builder (defined benefits) section of the Scheme was at 31 March 2017 (the valuation date) which was carried out using the projected unit method. As at the year end, a valuation as at 31 March 2018 was underway but not yet complete.

Notes to the Financial Statements (continued)

28 PENSION ARRANGEMENTS (continued)

Since the University cannot identify its share of the defined benefits section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2017 valuation was the fourth valuation for USS under the 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.

At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The key financial assumptions used in the 2017 valuation are described below.

Pension increases (CPI)	Term dependent rate in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% pa
Discount rate (forward rates)	Years 1-10: CPI -0.53% reducing linearly to CPI -1.32% Years 11-20: CPI +2.56% reducing linearly to CPI +1.7% by Year 21 Years 21+: CPI +1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation:

Pre-retirement	
Male members' mortality	71% of AMC00 (duration 0)
Female members' mortality	112% of AFC00 (duration 0)
Post-retirement	
Male members' mortality	96.5% of SAPS S1NMA 'light'
Female members' mortality	101.3% of RFV00

To allow for further improvements in mortality rates the CMI 2016 projections with a smoothing parameter of 8.5 and with a 1.8% pa long-term rate for males and a 1.6% pa long-term rate for females were also adopted. The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

The funding position of the scheme has been updated on an FRS 102 basis:

	2019	2018
Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%
Key assumptions used are:		
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

Notes to the Financial Statements (continued)

28 PENSION ARRANGEMENTS (continued)

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034 (prior year 2.1% of salaries up to March 2031). In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for the contractual commitment to fund the past deficit.

The University has used the deficit modeller developed by the British Universities Finance Directors' Group (BUFDG) and USS to calculate the provision to be made for the future obligation to make deficit recovery payments. The liability has increased from £43.9m to £125.1m as set out in Note 20.

The total pension contribution cost for the University was £40.5m (2018: £38.1m). There were £3.8m (2018: £3.3m) outstanding contributions at the balance sheet date.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6bn.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed.

This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019, and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £72.6m, a decrease of £52.5m from the current year end provision and a £52.5m lower charge to the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

29 RELATED PARTIES

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.

	(Income) / Expenditure		Debtor / (Creditor) balance		Nature of transaction / relationship
	2019 £m	2018 £m	2019 £m	2018 £m	
Joint ventures, associates and spin-outs					
INTO Newcastle University LLP	0.9	0.7	–	–	Net fees for student accommodation and other services.
Newcastle University INTO London LLP	(0.5)	(0.5)	5.8	5.3	Start-up loan and trade debt.
Newcastle Science Central Management LLP	(5.8)	(1.6)	2.3	0.8	Recharges for infrastructure works.
Demuris Limited	–	–	–	0.1	Loan to spin-out and trading.
Alcyomics Limited	(0.1)	(0.1)	0.1	0.1	Loan to spin-out and trading.
INEX Microtechnology Limited	–	–	0.3	0.1	Loan to spin-out and trading.
Other organisations					
Newcastle University Students' Union	1.8	2.1	–	–	Students' Union subvention and fees for other services.
The University of Newcastle upon Tyne Development Trust	(2.2)	(2.3)	–	–	Endowment income distribution.
The Newcastle upon Tyne Hospitals NHS Trust	(7.7)	(6.9)	1.8	1.7	NHS / academic staff recharges.
International Centre for Life	2.9	2.9	–	–	Rentals payable.
Council and Executive Board members					
Northumbrian Water	1.0	0.8	(0.8)	(0.8)	Water rates.
Russell Group	0.1	0.1	–	–	Subscription.
Universities UK	(0.1)	–	(0.1)	(0.1)	Science Without Borders.
Parkinson's UK	(0.2)	(0.2)	0.1	–	Research funding.
Northern Health Science Alliance Ltd	(0.9)	–	–	–	Research funding.
British Heart Foundation	(0.7)	(1.1)	–	0.1	Research funding.
Medical Research Council	(8.6)	(8.6)	–	0.1	Research funding.
BBSRC	(6.1)	(5.4)	–	–	Research funding.
EPSRC	(24.0)	(27.0)	–	0.1	Research funding.
Academy of Medical Sciences	(0.2)	–	–	–	Research funding.
Northumberland College	0.2	0.2	–	–	HEFCE funded North East Collaborative Outreach Project.

Council members did not receive any remuneration in respect of their service to Council during the year. The amount paid to lay members of Council in respect of out of pocket expenses during the year amounted to £10,560 (2018: £5,981).

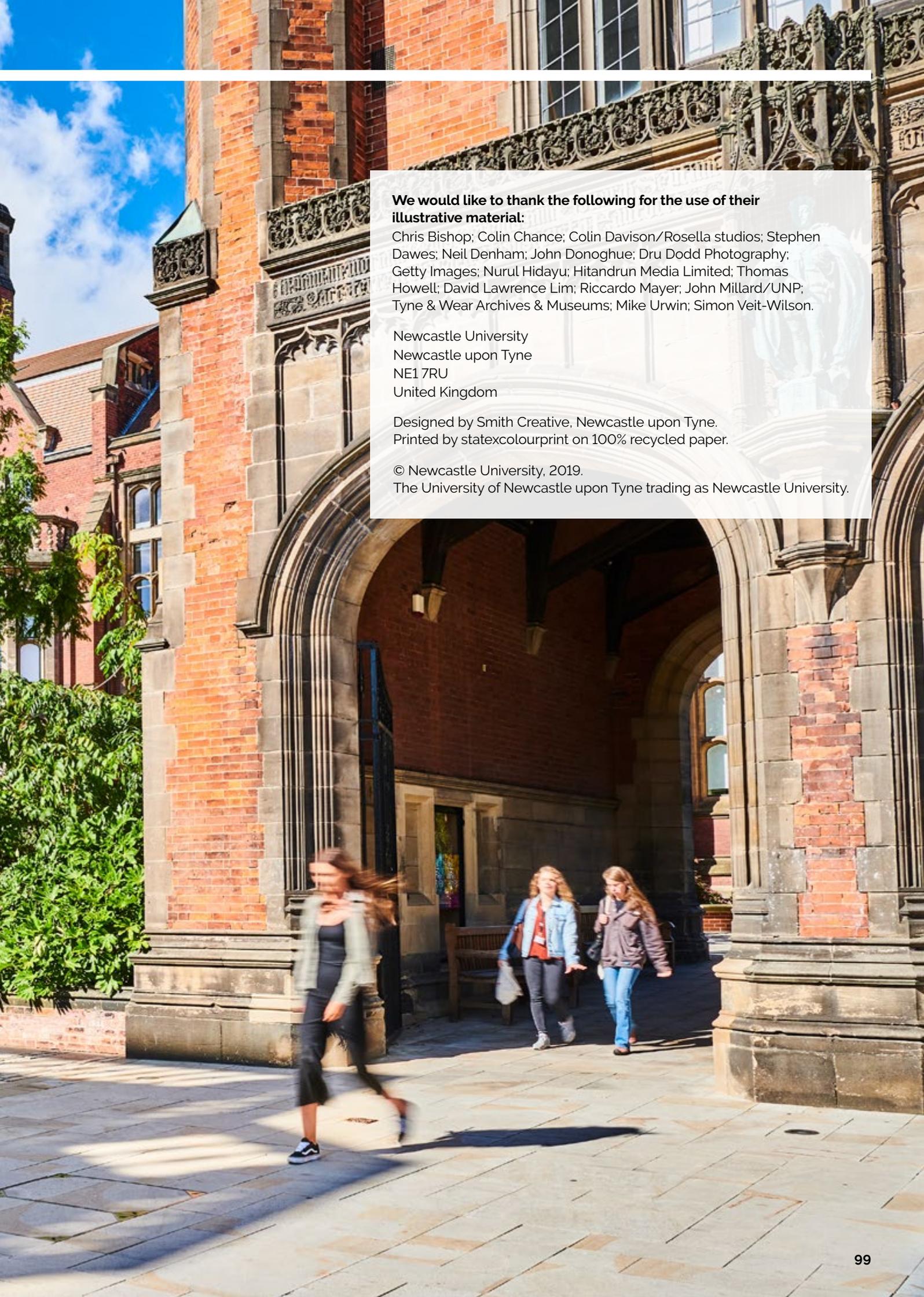
The University does not have any connected institutions, as defined by the Charities Act 2011, Schedule 3, paragraph 28.

Notes to the Financial Statements (continued)

30 EVENTS AFTER THE REPORTING PERIOD

As set out in Note 28, in respect of the USS pension scheme, a new Schedule of Contributions based on the March 2018 actuarial valuation was agreed in September 2019. As at 31 July 2019, and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £72.6m, a decrease of £52.5m from the current year end provision and a £52.5m lower charge to the Statement of Comprehensive Income. The appropriate adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.





We would like to thank the following for the use of their illustrative material:

Chris Bishop; Colin Chance; Colin Davison/Rosella studios; Stephen Dawes; Neil Denham; John Donoghue; Dru Dodd Photography; Getty Images; Nurul Hidayu; Hitandrun Media Limited; Thomas Howell; David Lawrence Lim; Riccardo Mayer; John Millard/UNP; Tyne & Wear Archives & Museums; Mike Urwin; Simon Veit-Wilson.

Newcastle University
Newcastle upon Tyne
NE1 7RU
United Kingdom

Designed by Smith Creative, Newcastle upon Tyne.
Printed by statexcolourprint on 100% recycled paper.

© Newcastle University, 2019.
The University of Newcastle upon Tyne trading as Newcastle University.

