

Integrated Annual Report 2017–18



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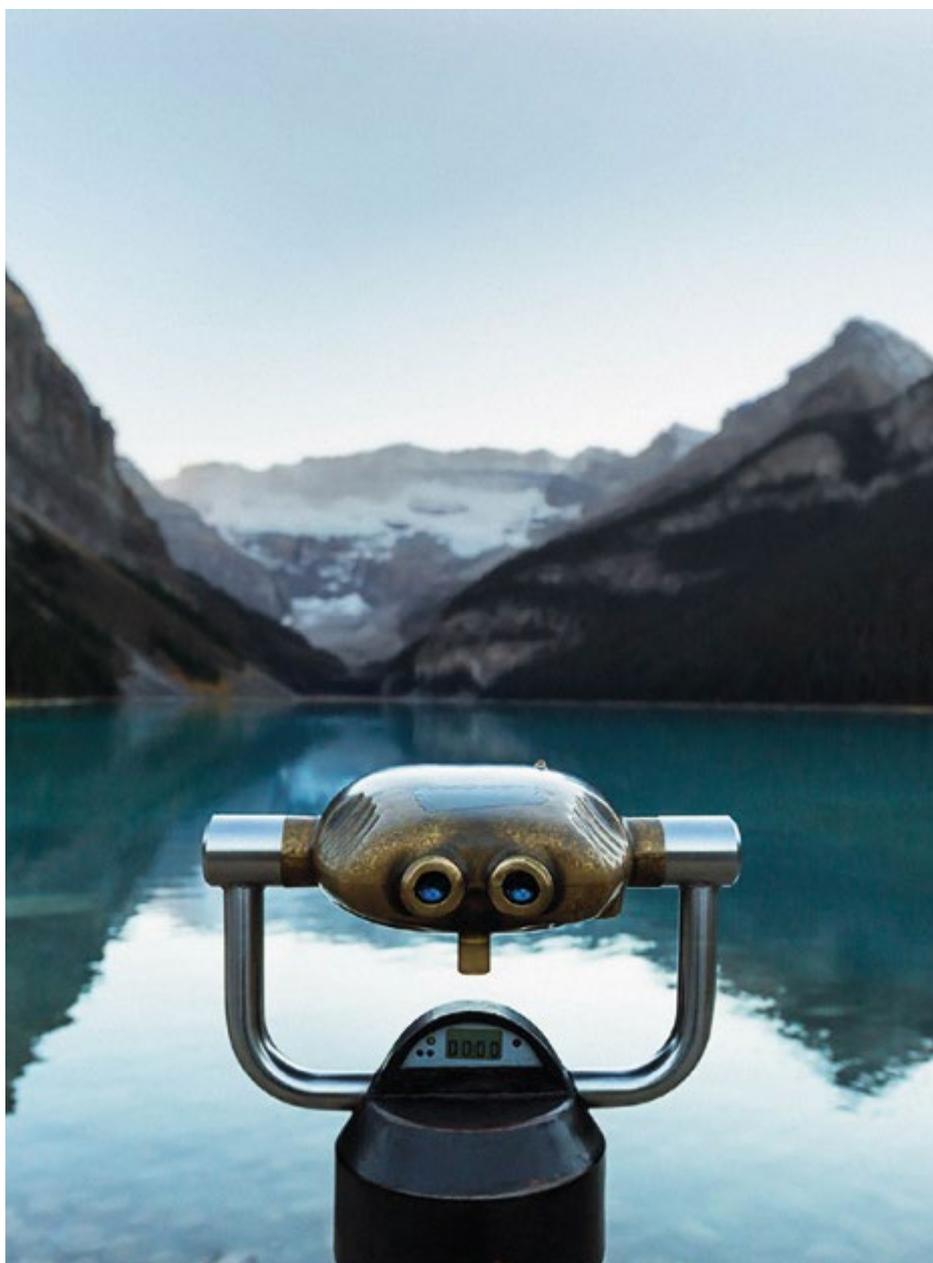
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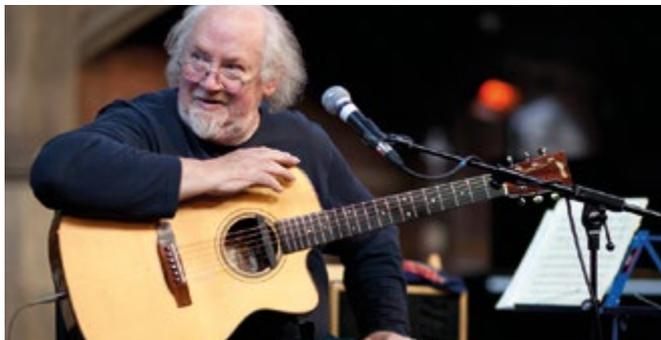


We are working to be at the forefront of integrated thinking and reporting in the higher education sector. This is a global framework that has been adopted across the globe to make more effective use of resources, improve decisions and enhance accountability, stewardship, transparency and trust. We use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

Our 2017-18 Integrated Annual Report is a second step towards fully adopting integrated reporting (IR). It is informed by the IR framework developed by the International Integrated Reporting Council (IIRC). As with last year's report, we provide an overview of strategic objectives, summarise our value creation model, describe our key stakeholders and partnerships, outline key factors influencing performance, report on relationships and resources and describe our governance structure in detail. For the first time this year, we have explained our approach to materiality and risk in more 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.

Below: **August 2017:** The archive of John Renbourn, one of Britain's most influential and gifted acoustic guitarists, is donated to the University.



Above: **September 2017:** Students begin the first-ever pharmacy degree at Newcastle University.

HIGHLIGHTS

Below: **October 2017:** The Hatton Gallery at Newcastle University re-opens with a ground-breaking exhibition to firmly position Newcastle as the birthplace of Pop Art.



Above: **November 2017:** A new statue of Dr Martin Luther King Jr. is unveiled by Ambassador Andrew Young to mark the 50th anniversary of Dr King's visit to accept an honorary degree.

Below: **December 2017:** Student brewers toast success with international entrepreneurial awards.



Below: **January 2018:** The Faraday Institution announces £42million of new government funding in a bid to ignite a revolution in UK battery research.





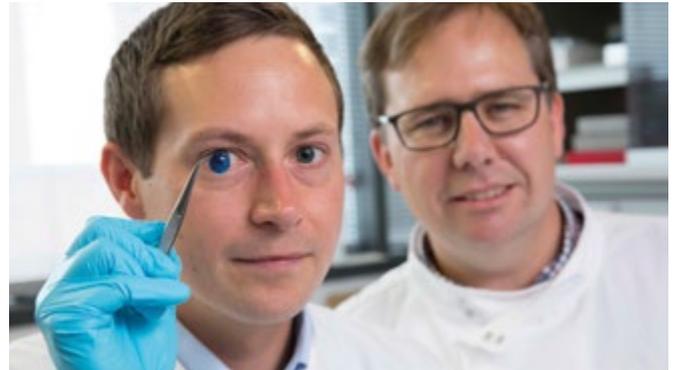
Above: **February 2018:** Students Oscar Simons, Ollie Armitage, Nat George, Ben Odale, Will Ovenden and Matt Coombes are nominated for the first Best Neighbour On Campus award.

Below: **March 2018:** Newcastle's Catrin Huber leads a fascinating new project to install contemporary artworks among the ancient ruins of Herculaneum.



OF THE YEAR

Below: **April 2018:** For the first time in its history, Newcastle University reaches the semi-finals of BBC quiz show *University Challenge*.



Above: **May 2018:** The first human corneas are 3D printed by scientists at Newcastle University.



Above: **June 2018:** Our award winning Urban Sciences Building is opened by Secretary of State Matt Hancock MP.



Above: **July 2018:** Teaching at Newcastle University is ranked in the top 10 in Europe for student experience.

INTRODUCTION FROM THE CHAIR OF COUNCIL

Paul Walker

Chair of Council and Pro-Chancellor

A year of two halves' may be something of a cliché, and while there have been a great many positives to reflect upon over the past 12 months, we have also seen the University facing a number of challenges.

But I want to begin with one of the year's great successes, the Great Exhibition of the North. Heralded as an 80-day celebration of the North of England's pioneering spirit and the impact of our inventors, artists, and designers, the Great Exhibition gave our region a chance to show how our innovators have shaped the world through the ages and are helping to shape the economy and society of tomorrow.

For us, the Great Exhibition has been a fantastic opportunity to demonstrate how innovation being driven by Newcastle University, in medical and scientific research, engineering and the creative arts and culture, has direct relevance to people and communities.

Our own Great North Museum: Hancock was one of the three hubs for the Great Exhibition and the starting point for the Get North Innovation Trail and the Design Trail. As part of *Which Way North* at the museum, we were able to showcase breakthroughs

in new treatments for rare genetic diseases being made by scientists at our Institute of Genetic Medicine through the 100,000 genomes project.

And University research featured in 10 thought-provoking 'future of' events designed to engage the public in research that will change lives and tackle the biggest challenges facing society, including housing innovation, cancer drug discovery, flood protection and energy systems.

The event organisers estimate that more than four million people visited Newcastle and Gateshead during the exhibition. No doubt helped by one of the hottest summers on record, the Great Exhibition has done much to bolster the city's and region's confidence and promote a real sense of possibility and opportunity, and I'm immensely proud of the leading role our University has played in its success.

While we may have ended the summer on a high note, earlier this year the University faced a significant challenge in the shape of national industrial action by many of our staff in protest at proposed changes to the Universities Superannuation Scheme.

I am pleased to say that the senior team worked effectively to minimise the impact of the strike action on students in the run-up to exams and maintained a good relationship between staff, the trade union and the University's management.

In my introduction last year, I listed overseeing the development of the University's Vision and Strategy, providing oversight of the capital investment programme and building on the University's strong profile for equality and diversity as being among Council's priorities for the year ahead. I am pleased to be able to report significant progress in all of these areas.

In the new Vision, which Council approved in June, and the four supporting strategies for Education, Research, Engagement and Place, and Global, the University has a clear road map for the future. It is a Vision that encapsulates the essence of the institution we want to be: a world-leading university, advancing knowledge, providing creative solutions and solving global problems. My fellow Council members and I are looking forward to working alongside the Vice-Chancellor and his senior management team to bring the Vision to fruition.



We are investing for the future – in staff, buildings and research infrastructure. Over the past three years, full-time equivalent staff has grown by 9% from 5,213 to 5,674 which has included almost 250 additional academic staff. Student-staff ratios have improved markedly in a number of key subject areas as a result. The past three years have seen more than £30m of investment in new equipment, primarily to boost our research capacity and we continue to invest in our estate – both to increase capacity and to refurbish our older buildings.

A significant portion of our new building investment has been focused on developing our presence on

Newcastle Helix (formerly known as Science Central). The speed at which the construction of the new headquarters for our two National Innovation Centres in Ageing and Data has taken place has been breathtaking, and it will shortly be joined by a new Learning and Teaching Centre. Elsewhere, Park View Student Village has welcomed its first students, while nearby, the new sports facilities are taking shape.

One of the University's great strengths is our commitment to equality, diversity and inclusion, and the Vice-Chancellor has made sure that it is one of the core values underpinning the Vision and Strategy and that it is a key element in the portfolio of

Deputy Vice-Chancellor, Professor Julie Sanders. It is a commitment that has also been demonstrated by the establishment of the post of Dean of Equality, Diversity and Inclusion (EDI) held by Professor Judith Rankin and by holding the first Newcastle University Research Conference on Equality, Diversity and Inclusion in June.

Alongside EDI, the University also has a long-standing commitment to social justice that dates back more than 50 years to when we became the first and only UK University to award an honorary degree to Dr Martin Luther King Jr. during his lifetime.

We commemorated the anniversary in November last year, when we honoured some of the leading lights in the arena of inclusivity and social justice, and unveiled a stunning statue of Dr King as a lasting legacy to an iconic moment in the University's history. Another legacy of the anniversary has been the appointment of Professor Peter Hopkins as Dean of Social Justice, a new role that will complement our EDI work.

2018-19 looks set to be another challenging year. We need to address our falling market share of research income and international students and mitigate the impact of the 'demographic dip' in university-age domestic students. Discussions on the future of the USS pension scheme will continue for some time and there is a clear risk of further industrial action. We will have to address further disruptions to the wider political environment including Brexit and the Augar review of higher education funding.

The wellbeing of our University is testament to the efforts of all of our staff, students and stakeholders, in Newcastle and around the world. As Chair of Council, therefore, it is my pleasure to present to you this report on behalf of all those who contribute to the ongoing success of Newcastle University.

INTRODUCTION FROM THE VICE-CHANCELLOR AND PRESIDENT

Professor Chris Day
Vice-Chancellor and President

At the end of my first full academic year as Vice-Chancellor and President, it gives me pleasure to introduce the University's Integrated Annual Report for 2017-18.

It has been a year of change and turbulence across the higher education sector, which has included the introduction of a new regulatory framework overseen by the Office for Students, and ongoing uncertainty regarding the impact of Brexit on our students, staff and the wider research environment. In addition, the USS pension fund deficit continues to be a significant concern for members, and the impact of industrial action during March and April was felt across the sector.

Despite these externally-driven challenges, we have taken time over the past 12 months to consider how we can build upon our foundations as a civic university with a proud heritage of innovation and excellence. This has resulted in a new Vision and Strategy that will enable us to utilise our world-leading academic strengths to engage with, and be accountable to, the changing needs of global society.

Our new Vision is underpinned by four strategies that have also been under development over the past 12 months; these strategies cover Education, Research, Engagement and Place, and Global.

We made a number of key appointments during 2017-18 that will help us to take forward the new Vision; in September 2017 we welcomed Professor Brian Walker as Pro-Vice-Chancellor for Research Strategy and Resources, and in April 2018, Professor Julie Sanders took up her new post as Deputy Vice-Chancellor. Julie's successor as Pro-Vice-Chancellor for Humanities and Social Sciences is Professor Nigel Harkness, who commenced his new role on 1 September 2018.

Concerns over student mental health and wellbeing are a priority for the University and have also been the subject of significant media and political focus in the past year. This is a problem that affects a large number of 18-24 year olds, whether or not they are in higher education, and we recognise our responsibility to provide a happy, caring and safe place to work and study. We

Overall Student Satisfaction
2017-18

National Student Survey **86%**

Postgraduate Taught Experience Survey

85%

International Student Barometer

93%

[Read more pages 26-28](#)

fully support Universities UK's StepChange framework and welcome the Government's support for the proposed University Mental Health Charter being developed by the mental health charity Student Minds.

As ever, I am delighted to be able to summarise some of the many highlights from another busy year for the University.

In August 2017, we welcomed staff and students who were previously part of the School of Medicine,



Pharmacy and Health at Durham. The launch of our first-ever degree in Pharmacy coincided with a significant redevelopment of our King George VI Building, at the heart of our main Newcastle campus. We also completed the move of our School of Computing to its new home in the Urban Sciences Building, and commenced work on two further buildings on the Newcastle Helix site.

Our University has a long history working in partnership with industry, and also with a wide range of Voluntary, Community and Social Enterprise organisations. During 2017–18, we developed our first integrated Degree Apprenticeship in Power Engineering, which is designed with employers to meet their specific needs. We also partnered with organisations such as the National Trust to support student placements and collaborative projects involving colleagues from Music, Architecture and Fine Art among others.

We have an excellent track record in supporting entrepreneurship and student start-ups; in the last year we had the fifth-highest aggregated turnover for new student start-ups (£26m) of any university in the UK. Our work, together with partner organisations, has helped Newcastle to become the fastest growing city outside London for digital and technology employment according to the UK Smart Cities Index.

Research at Newcastle is helping to improve the efficient utilisation of energy and address global challenges of energy security, waste reduction and de-carbonisation. In September 2017, we announced the launch of the UK's first fully-integrated energy systems research, development and demonstration site located in Gateshead. The £30m Integrated Transport, Electricity and Gas Research Laboratory (InTEGReL) is being developed in partnership

with Northern Gas Networks and Northern Powergrid as an incubator for businesses to test cutting-edge technology in real-world conditions.

As work progresses on the new National Innovation Centre for Ageing (NICA), we have brought together a consortium to deliver a place-based research and innovation ecosystem for better, longer lives. We have also joined the national institute of data science, The Alan Turing Institute, in recognition of our world-leading expertise in computing and mathematics. This is an opportunity for the UK's leading universities to join forces to create a critical mass in data science, which will enable Newcastle to undertake the most ambitious, impactful research possible.

Our international profile continues to grow; in the past year, I took my first delegation to China and also welcomed visits from Xiamen, Pittsburgh and Monash universities and the Victoria State Government. Our campuses in Malaysia and Singapore continue to build and strengthen. In November 2017, we opened the Newcastle Research and Innovation Institute in Singapore (NewRIIS). This is a new cutting-edge research facility that is strategically placed to facilitate collaboration with academic and industrial partners in Southeast Asia.

The achievements of the past 12 months have been hugely beneficial in cementing our world-leading reputation in key areas of strength, including: energy, ageing, data, cities, and culture and creative arts. They have also helped to improve the profile and reputation of the University and contributed to a significant improvement in world rankings, now well inside the global top 150.

All this adds up to a University that is looking to the future with ambition and confidence, and one that is well placed to live up to our vision of Newcastle as a world-leading university, advancing knowledge, providing creative solutions and solving global problems.

OVERVIEW

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

The University is a founding member of the Russell Group, comprising the UK's leading research-intensive universities. We have strong research links with many European and other international universities. Our research spans a wide range of activity with a strategy to address major societal challenges. The University has around 28,100 students from more than 140 different countries. We offer undergraduate degrees and postgraduate taught and research degrees in over 50 subject areas. We have a 20-hectare academic site at the heart of Newcastle city centre together with campuses in Malaysia and Singapore and a centre in London. We are one of the largest employers in the North East of England, with more than 6,100 staff (5,674 full-time equivalent).

The University's new Vision and Strategy was approved by Council in June 2018. Our Vision 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 and strategic initiatives, helping to extend the University's influence and reinforce our ties with the city, region and beyond. These include Newcastle City Council, 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 team, led and managed by the Registrar.



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 around 28,100 students from more than 140 countries. They are in many ways the *raison d'être* of the University. Their activity and success is described in more detail on pages 36–38. 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 representation 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 2017–18, they contributed almost 53% of the University's total income through tuition fees and accommodation payments, either directly or via the Student Loans Company or sponsors. They contributed some £220m Gross Value Add to the regional economy.

STAFF

Our 6,100 staff are drawn from 90 countries, including some 650 from the European Union, and are critical to our success. Their activities and successes are described in more detail on pages 38–39. There are

formal opportunities for staff 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 219,000 alumni in 183 countries across the world and we support a number of alumni societies and chapters. In 2017–18, our alumni team organised more than 60 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. The network operates in four sectors: finance, banking and investment; marketing, media and journalism; creative industries; and entrepreneurship and enterprise. Many alumni continue to retain an involvement with the University today and we know of 533 alumni who have

volunteered their time and expertise on behalf of the University in 2017–18.

THE LOCAL COMMUNITY

As one of the largest employers in the region, we recognise our responsibility to engage with local community and business. 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 CBI 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 Seven Stories, Northern Stage and Sage Gateshead. We have a wide programme of engagement with local schools and colleges and accredit foundation degrees taught by Northumberland College. The Great North Museum: Hancock attracts more than 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

On 1 April 2018, the Higher Education Funding Council for England (HEFCE), which acted as the University's



principal regulator, was replaced by the Office for Students (OfS) and UK Research and Innovation. These changes were enacted through the Higher Education and Research Act 2017. The OfS now acts as the principal regulator for higher education providers in England. It assumed the responsibilities previously exercised by the Office for Fair Access (OFFA) to promote widening participation in higher education for disadvantaged groups. A process of registration with the OfS has been undertaken and the University is in the category *Approved (fee cap)* along with most universities established by the early 1990s.

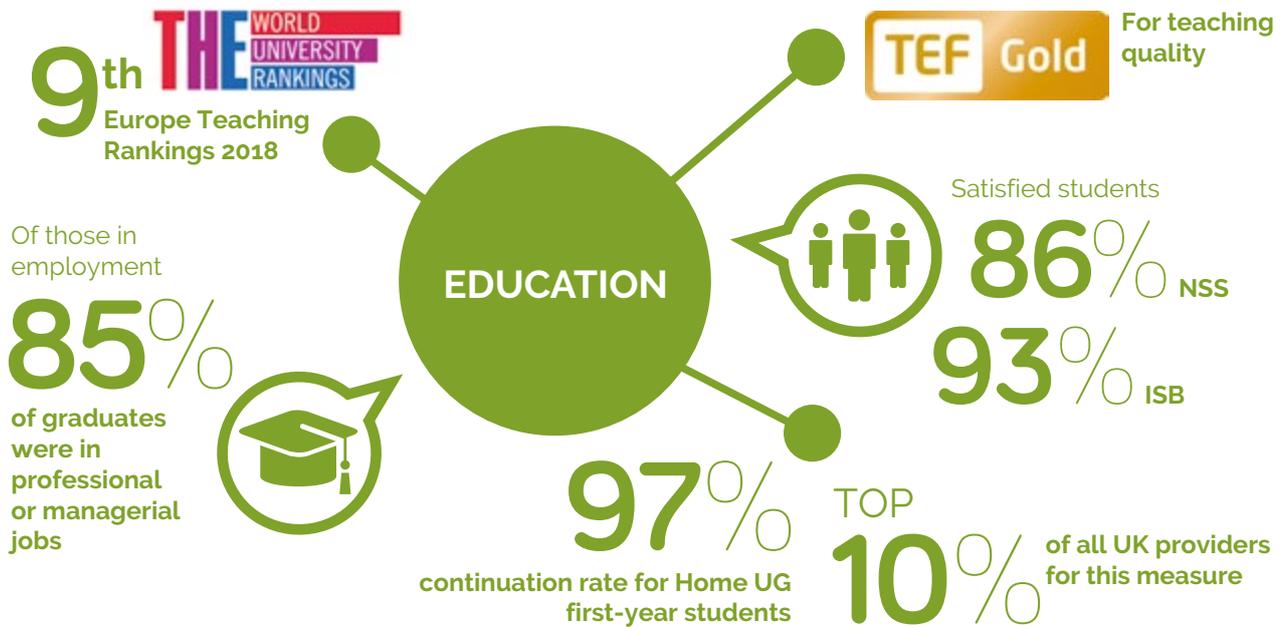
More than 700 funders, drawn from government, the third sector and the private sector, contributed around £109.4m of research income to the University in 2017–18. Many of these funders have formal programmes of engagement and assurance with the University as well as a wide range of informal relationships.

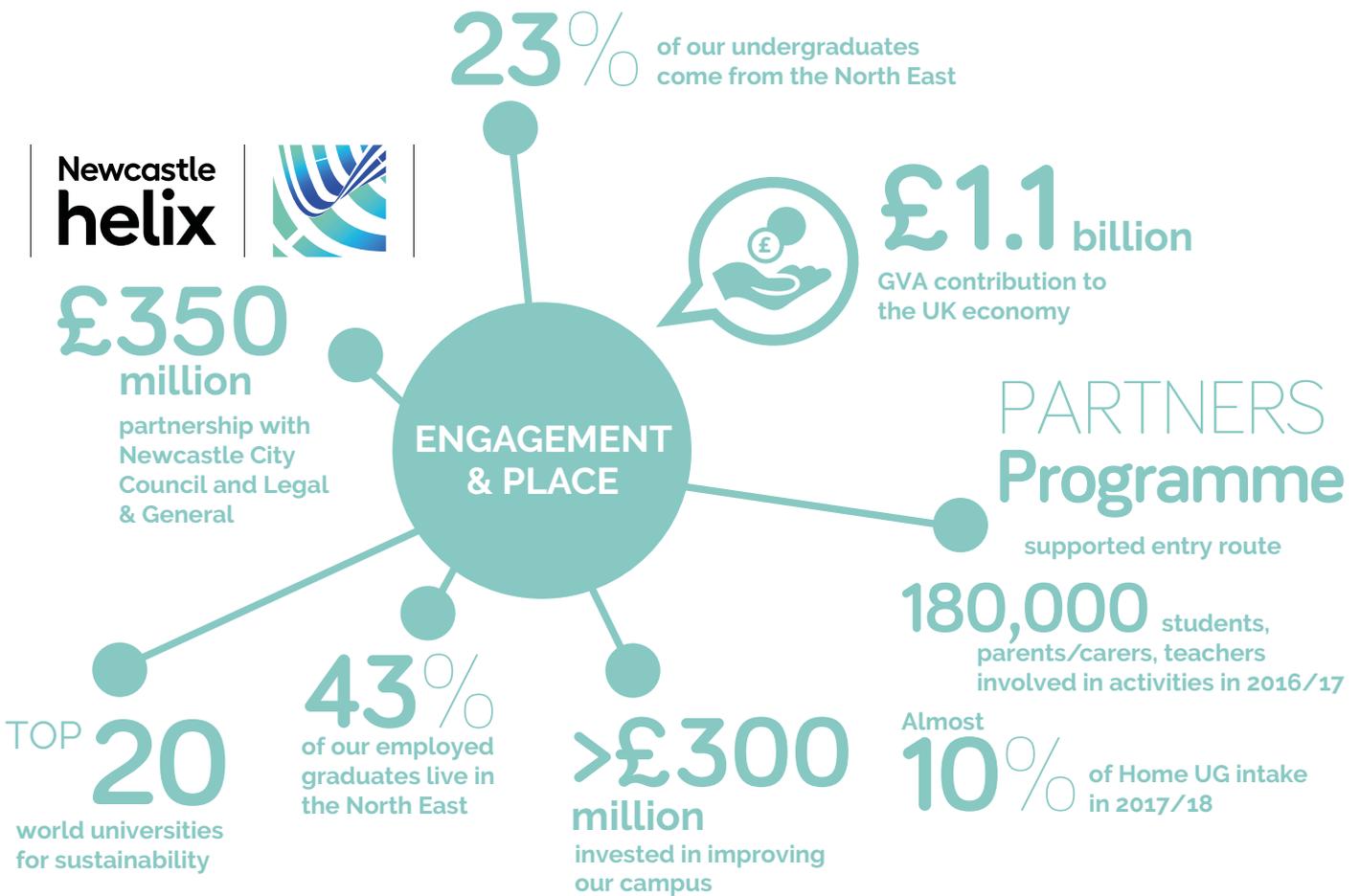
PARTNER ORGANISATIONS

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 (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 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. We have close relationships with our neighbouring universities in the North East of England.

THE UNIVERSITY AT A GLANCE

2017-18





CHARITY STATUS AND PUBLIC BENEFIT STATEMENT

For the year ended 31 July 2018

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 (OfS) 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 2017–18, the University provided £2.5m in means-tested scholarships to support 1,432 new undergraduate entrants who might otherwise have been unable to afford the costs of going to university. This constituted 24% of our 5,937 full-time UK and EU undergraduate entrants in 2017. We also paid a further £5.9m to support 3,065 undergraduates continuing their studies. The 2017–18 UK and EU undergraduate financial support of £8.4m for a total of 4,497 students represents an increase of £0.4m compared to 2016–17. We have committed more than £43m through our Access Agreement to student financial support over the next five years. We supported 55 mostly full-time taught postgraduates from widening participation backgrounds with scholarships of up to £5,000, costing £252,000 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, e-mail, social media, and plasma screen reminders throughout the year.

During 2017–18 we awarded more than 8,600 undergraduate and postgraduate degrees.

We are the largest research university in the North East. During the calendar year 2017 our academic staff published 5,528 research articles, books, book chapters and conference proceedings, an increase from 5,247 in 2016. Our total research income in 2017–18 was £109.4m.

To support the charitable work of the University, we received £5.4m in philanthropic donations during 2017–18. 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.



NUMed Malaysia student Zaki Hilmi working with the indigenous community in Kuala Tahan as part of his degree.

In 2017–18, 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 University values and initiatives. In 2017–18 we engaged with donors in the UK, US, Europe, and East Asia, and established a route to enable Hong Kong residents to give to the University. This complements our long-standing US Friends of Newcastle University scheme which supports giving from US residents.

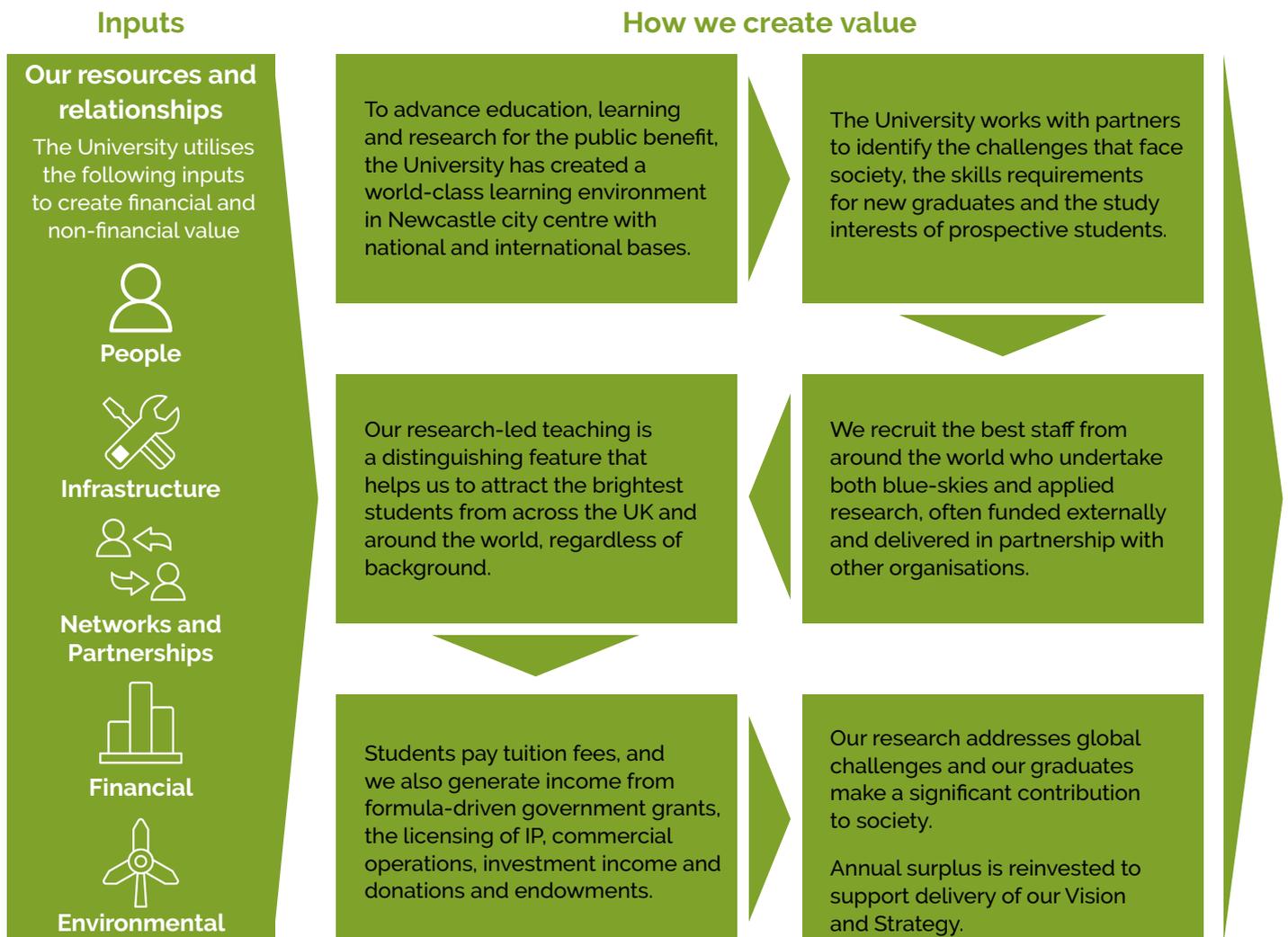
The Charities (Protection and Social Investment) Act (2016) requires charities to state the approach taken in fundraising. The University seeks, stewards and accepts benefactions in support of its charitable objective. It does so under the leadership of the Director of Advancement and it does not use external professional fundraisers or commercial agents to undertake these activities. In its fundraising activities it follows 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. The University complied with these standards in 2017–18.

The University expects that useful knowledge acquired through research will be disseminated to the public and others able to benefit from such research. The University normally expects that any private (non-charitable) benefit will be legitimately incidental to the achievement of the University's 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 the work of the University and the way it fulfils its charitable purpose is included in this report and on our website www.ncl.ac.uk

VALUE CREATION MODEL

Newcastle University exists 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.





Outputs

Outputs can be measured in a number of different ways. For more information see *The University at a glance* section, pages 14–15.

Student satisfaction

Excellent scores in student satisfaction surveys across all disciplines

Graduate destinations

High rates of graduate employment in professional jobs or further study

Staff engagement

Excellent results in our staff 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 Strategy 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 professional alumni.

Staff

We develop and reward our staff and seek to grow our academic base by reinvesting in staff 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

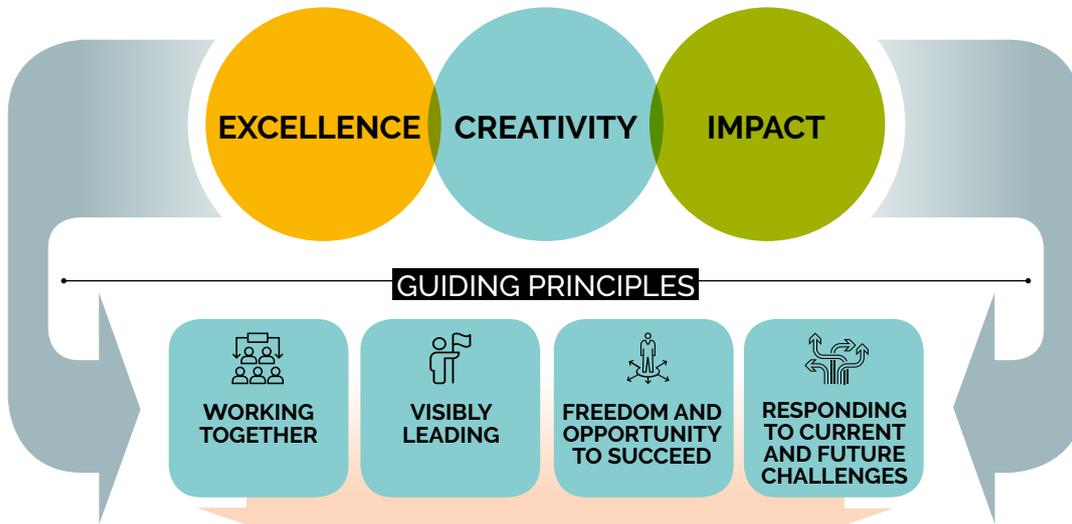
We nurture and develop close partnerships with employers and other universities to leverage additional value.

VISION

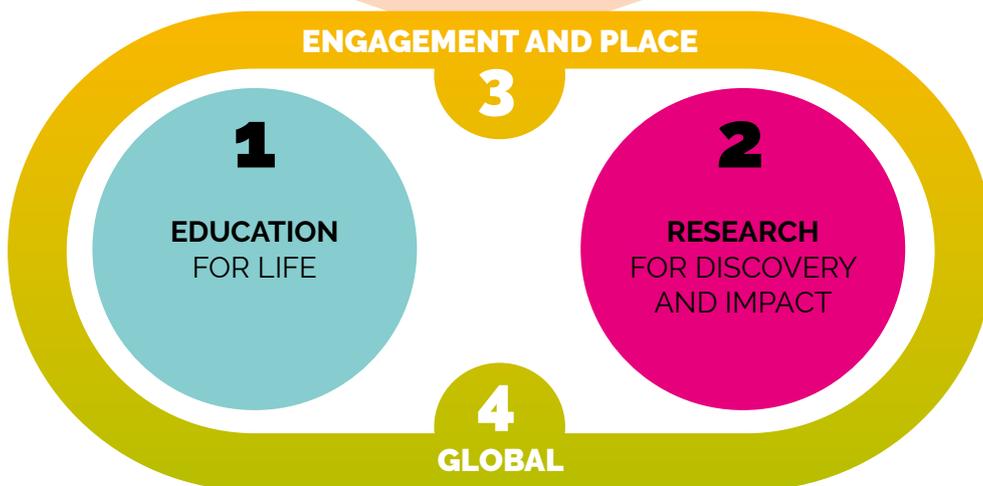
NEWCASTLE UNIVERSITY

We are a world-leading University, advancing knowledge, providing creative solutions and solving global problems

VALUES



STRATEGIES



Our Vision is to address global problems by advancing education, learning and research for the public benefit.

We have identified three aspirational values that inform everything we do: Excellence, Creativity and Impact. These guide us as we develop and grow as an institution.

Supporting our Vision we have four interconnected strategies. These cover our core functions of Education and Research and the two main contexts in which we engage to create inspiring places and to influence globally.

Our guiding principles provide a link between the overarching values and the core strategies. These have been identified from the key characteristics of our high-performing academic and professional units: working together, visibly leading, freedom and opportunity to succeed and responding to current and future challenges.

OUR VISION AND VALUE CREATION MODEL IS ASSURED BY EFFECTIVE GOVERNANCE

Our Vision and Strategy was approved by Council in June 2018 and formally launched in October 2018. The development of the Vision involved extensive consultation inside the University with students and staff, both professional and academic, as well as input from our external partners.

Our new Vision and Strategy

Corporate Governance

Financial Review

Independent Auditor's Report to Council

[Read more](#)

Pages 24 – 25

Pages 54 – 60

Pages 48 – 53

Pages 65 – 66

MATERIALITY AND RISK

In common with 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 Newcastle and to our stakeholders.

OUR APPROACH TO RISK MANAGEMENT

As an organisation, we identify risks and assess their material significance through regular discussion of the University's 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 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.

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 the University achieves its strategic objectives.

We have a Risk Management Adviser, whose remit includes co-ordination of the Risk Management Strategy, review and maintenance of the strategic risk register, tracking of control measures and ongoing review of risk indicators.

Our risk governance arrangements 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.

COUNCIL

Role: Oversight

Responsibility: To approve the risk strategy and risk appetite

VC AND EXECUTIVE BOARD MEMBERS

Role: Ownership

Responsibility: To own and review effectiveness of the risk management strategy

AUDIT COMMITTEE

Role: Challenge

Responsibility: To review with individual risk or control owners the effectiveness of their approach

INTERNAL AUDIT

Role: Assurance/Testing

Responsibility: To report on the effectiveness of the risk management strategy and process

RISK MANAGEMENT ADVISER

Role: Co-ordination/Advice

Responsibility: To promote the implementation of the risk management strategy. Maintaining and developing the systems that support risk management

MATERIAL ISSUES

Risk area	Description of risk	How we seek to mitigate
INTERNATIONAL COMPETITION	We operate in an international context and our global ambitions are a key element of our Vision and Strategy. It has been widely reported that the market for international student recruitment has become increasingly competitive in recent years, while competition to attract international staff and European research funding is impacted by the risks associated with Brexit. Our ability to create value over time is closely linked to our ability to attract the brightest and best to study and work at the University from across the world.	We are developing and launching a new Global Strategy that will identify new initiatives to enhance the utilisation of our global campus locations, develop international partnerships and enhance student mobility. The strategy is being developed with input from external stakeholders.
PUBLIC VALUE OF HIGHER EDUCATION	The new regulatory environment overseen by the Office for Students (OfS) has brought into focus the issue of value for money for students. Our own engagement with Newcastle students and other stakeholders shows that the 'value' of our education and research is defined in many different ways. We therefore need to develop and improve public understanding of the value that we create for many different stakeholders, including value for money for students.	Student participation in value for money discussion and reporting is well established at Newcastle University. Development and communication of public value is co-ordinated through our new Engagement and Place Strategy that brings together the civic contribution of our education and research.
EMPLOYEE ENGAGEMENT	As a people organisation, the success of our University depends on our ability to attract and retain talented and engaged individuals. Our most recent staff engagement survey identified the need to improve the visibility of the leadership team and to promote our core values. The impact of industrial action in the past year, linked to pension reform, has also highlighted the importance of employee wellbeing and engagement. Overall, we believe this is one of the most important issues that could materially impact on our ability to create and sustain value over time.	Our new Vision was developed with significant employee input. Implementation of the Vision will bring together a number of activities to develop and improve employee wellbeing and engagement.
BRAND AND REPUTATION	As part of the development of our new Vision, we commissioned an independent review of our external brand and reputation. This work engaged a large number of stakeholders and identified our perceived strengths and weaknesses. It also highlighted the need for us to think about the long-term social and relationship capital that is created through our core activities of education and research.	The launch of our new Vision will include a new corporate identity overseen by our Marketing team in partnership with other staff. This will enable us to communicate our core strengths more effectively and build our brand and reputation.
WORLD-CLASS FACILITIES	World-class facilities for research, education and the student experience are regularly identified by stakeholders as material issues that affect our ability to create value over time. Capital expenditure was more than £94m in 2017-18, including large-scale investments to redevelop brownfield sites, replace ageing buildings and purchase new IT and equipment.	Investment in world-class facilities is planned to ensure long-term environmental and financial sustainability. By developing an integrated approach towards campus infrastructure, we will improve the join-up of our estates, student residences, IT and our libraries and archive collections.



In addition to the material issues considered in the last two pages, the University faces significant operational risk.

The management of our most important risks involves an assessment of the likelihood of occurrence and potential consequences. For the current reporting period, we reported 22 risks that are documented in the strategic risk register, under headings that align with the University Vision and Strategy. The key risk areas are summarised below.

EDUCATION AND STUDENT EXPERIENCE

There is a risk that the University does not provide a high-quality education and student experience that engages, challenges and supports our students or doesn't enable them to find suitable future employment. We have University-wide systems in place to monitor this risk using student engagement, consultation, local feedback mechanisms and nationally recognised surveys including the National Student Survey. The University operates in a challenging environment where student numbers are not guaranteed. If we do not offer a high-quality education and student experience, we risk losing market-

share which would have a financial impact on future investment. Our employability and enterprise strategy seeks to ensure that our graduates achieve appropriate graduate level employment when they leave us.

RESEARCH RISK

The University is exposed to a number of risks regarding our ability to develop the research base by attracting externally funded research grants, investing in our research infrastructure and complying with the terms and conditions of research funders. Our recently agreed research strategy has identified a number of priority actions and transformative initiatives and a newly refreshed Research Committee will take the lead to ensure their successful implementation.

EXTERNAL ENVIRONMENT

The environment in which we operate is complex and changing. The introduction of a new regulatory framework overseen by the OfS provides new challenges in terms of governance and demonstrating value for money for students.

The UK's decision to leave the EU has caused uncertainty within the higher education sector. This uncertainty

makes planning and decision-making more difficult as many government decisions are yet to be finalised. Uncertainty around immigration, the status of international students and staff, as well as funding for research, make longer term planning difficult. We will continue to closely monitor the government's position and respond accordingly.

The ongoing issues with the USS pension fund deficit and the industrial action experienced during 2017–18 academic year remains a significant and ongoing risk to the University. Engagement with staff impacted by changes to the scheme and their representatives will continue into the new academic year.

FINANCIAL RISK

Various elements of the risks above impact the financial sustainability of the University. To ensure the ongoing financial viability there is a comprehensive annual budgeting and forecasting system, which is approved by Council. This includes clearly-defined guidelines for the assessment, authorisation and ongoing control of capital expenditure.

OUR NEW VISION AND STRATEGY

The Strategic Review (pages 24-35) describes the University's new Vision and Strategy, maps progress made during 2017-18 and looks ahead to the future. As the University's Chief Academic and Executive Officer, I am responsible to Council and Senate for delivery of the University's Vision and Strategy.

Professor Chris Day
Vice-Chancellor and President



INTRODUCTION

The expectations placed on universities by students, governments and the public have changed dramatically in recent years. There is now a clear expectation that universities exist to serve local and global society – whether through the graduates we educate to become critical global citizens, or through our research and innovation providing solutions and new understanding to the world's complex problems.

Newcastle University has a proud heritage stretching back more than

180 years as a key driver of the innovation culture of the North East of England. As one of the UK's great civic, research intensive universities, our Vision and Strategy is built on strong foundations and will enable us to utilise our academic strengths to engage with, and be accountable to, the changing needs of global society.

VISION

Newcastle University exists 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 was approved by Council in June 2018 and was developed with significant input from across the University with students and staff, both professional and academic, as well as input from our external partners. It 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 long-standing 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 staff 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 – staff and students, academic and professional staff, 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, staff 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 2017–18 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 26 - 28
<i>Research for Discovery and Impact</i>	Catalysing transformative research within and between disciplines	Pages 29 - 31
<i>Engagement and Place</i>	Improving the economy, health and social wellbeing and cultural richness of the places in which we operate	Pages 32 - 33
<i>Global</i>	Being a globally inclusive institution	Pages 34 - 35

EDUCATION FOR LIFE

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

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

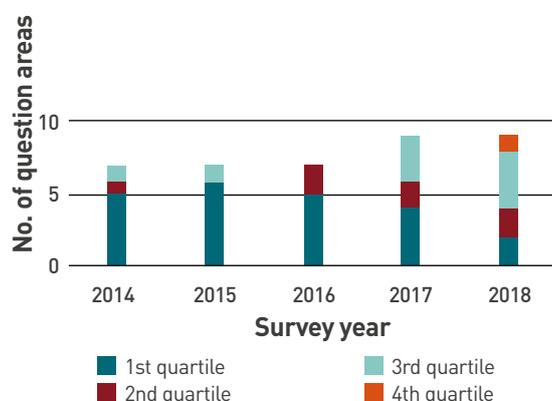


MEASURING SUCCESS

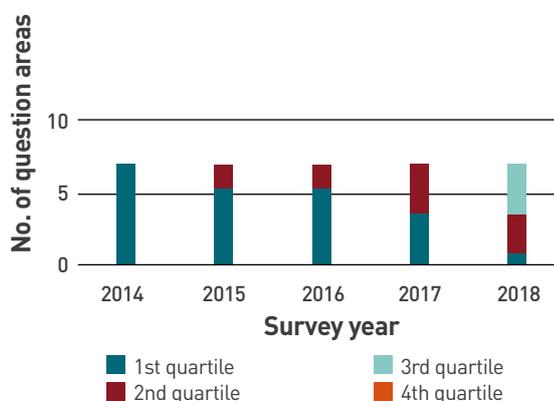
This year we have changed from considering the success of our educational provision solely through a focus on overall satisfaction to a broader consideration of student experience as indicated in national surveys. This reflects the emphasis on the educational experience of our students in our new Vision and Strategy. Each of the major national surveys asks questions across a number of areas (e.g. teaching, assessment, learning resources). The following charts focus on our comparative performance, showing where we are placed against other full service higher education institutions (HEIs) in terms of the quartile of the peer group.



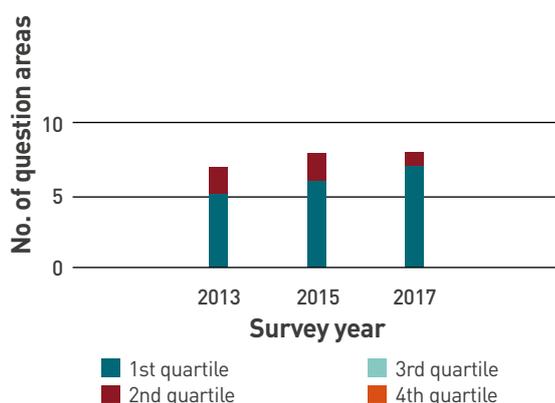
National Student Survey (NSS) results by question area



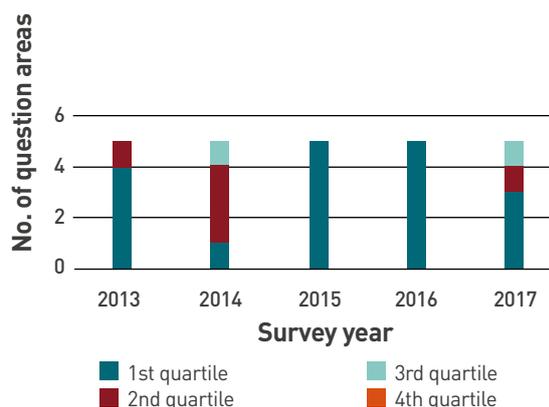
Postgraduate Taught Experience Survey (PTES) results by question area



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, so 2018 results are not available

National Student Survey Question area	2017		2018	
	Overall score	Peer group quartile	Overall score	Peer group quartile
Overall satisfaction	88	1	86	1
The teaching on my course	85	2	84	3
Learning opportunities	83	3	82	3
Assessment and feedback	71	3	69	4
Academic support	82	1	80	2
Organisation and management	80	1	76	2
Learning resources	90	1	89	1
Learning community	80	2	77	3
Student voice	68	3	67	3

PROGRESS DURING THE PAST YEAR

The 2018 survey periods for both the National Student Survey (NSS) and Postgraduate Taught Experience Survey (PTES) overlapped in part with the UCU industrial action, and in common with almost all universities affected by this action, the University experienced a fall in student survey results. NSS overall satisfaction fell from 88% to 86%, placing Newcastle fourth in the Russell Group and 28th among full service universities. This maintained Newcastle in the top quartile of universities for NSS overall satisfaction. In PTES overall satisfaction fell from 85% in 2017 to 78% in 2018, moving from the top to the third quartile of participating universities. In respect of the broader aspects of the student educational experience the University experienced both relative and absolute falls, continuing the downward trend in comparative performance that was evident in 2017.

A similar pattern of results was evident in the University's PTES results, with top quartile performance for overall satisfaction and learning resources coming alongside falls in absolute and relative performance across all other domains of PTES.

A similar, though less marked, pattern was evident in the International Student Barometer (ISB) results. Although overall satisfaction fell slightly from 94% to 93% between 2016 and 2017, this maintained Newcastle in the top quartile of participating universities. However, the University fell out of the top quartile for two of the four main question domains.

Results from NSS and PTES are being reviewed by academic units overseen by faculties, to generate action plans to identify areas of provision for enhancement. In addition, the priorities identified in the new University Education Strategy approved by Senate and Council in 2018 will seek to deliver improvements in the educational experience for all our students.

Two significant programme portfolio developments during 2017–18 have been the implementation of the new five-year collaborative relationship with the Singapore Institute of Technology, and the implementation of the transfer of the School of Medicine, Pharmacy and Health from Durham University to Newcastle.

The teach-out of the existing undergraduate programmes offered in Singapore was completed during 2017–18 (including the graduation of the final cohort of Food and Human Nutrition students), and September 2017 saw the admission of the first students to the joint undergraduate degrees offered by the University in partnership with the Singapore Institute of Technology.

The first admission of students to Newcastle's new Pharmacy programme also took place in September 2017, and at the same time existing Pharmacy students from Durham's Queen's Campus, Stockton, transferred to Newcastle University to complete their Master of Pharmacy studies. During 2017–18 the final cohort of second year undergraduate medical students were taught-out at Durham's Stockton campus, and the number of new medical students admitted to the MBBS at Newcastle was increased to include the student numbers previously taught by Durham at Stockton.

The University is committed to supporting the holistic development of our students, to enable them to fulfil their potential while studying with us and after graduation. This is supported by our Graduate Skills Framework, which sets out the attributes which we believe characterise a successful Newcastle graduate. These inform our academic and extracurricular education and provision, and the framework is a key part of our Employability and Enterprise Strategy.

Opportunities to develop graduate attributes are threaded through our programmes and our co-curricular and extracurricular provision. This includes 543 students who completed the University's ncl+ award in 2017–18,

from all four of our locations, with this award included in degree transcripts and the Higher Education Achievement Report (HEAR). A further 191 students completed one of the University's five ncl+ advanced awards and 595 students were nominated for Pride of Newcastle University Awards (523 in 2017).

Opportunities for work experience were also extended, with the University supporting 215 students and graduates to undertake paid internships with employers, while 885 students worked part-time on campus through JobsOC. The number of students undertaking the Career Development Module increased by 14% to 498 (436 in 2016–17), while the number of students on a 9–12 month placement year nearly doubled to 432 (277 in 2016–17).

Another core aim of our strategy is that our students perceive starting a business to be a viable career option. We offer a number of elective enterprise and entrepreneurial modules, and we are working to roll out enterprise education across all Schools, and support a thriving start-up community of students through monthly 'connect' events. New businesses, such as Noveltea, received early support as part of our Founderships Programme.

In terms of student success as measured by the destinations of graduates, we achieved notable increases in performance. The results from the 2018 Destinations of Leavers from Higher Education (DLHE) survey of 2017 graduates show a rise in overall employability from 94.6% among 2016 graduates to 95.3% for 2017 graduates, exceeding our benchmark. Our performance on Graduate Prospects, based on the percentage of our UK, full-time undergraduate students in graduate-level outcomes six months after graduating, rose from 80.7% for 2016 graduates to 85.5% for 2017 graduates. This places Newcastle in the top 15 of all universities for the percentage of our graduates in professional or managerial employment, or postgraduate study.

RESEARCH FOR DISCOVERY AND IMPACT

Catalysing transformative research within
and between disciplines

Overall
Assessment
Medium Risk



from the Global Challenges
Research Fund and the Industrial
Strategy Challenge Fund

- support the next generation of researchers by helping them to achieve external fellowships, faculty posts and joint appointments with our partners
- provide a thriving research environment for students and staff that facilitates the delivery of our strongest research, encourages creativity and develops future strengths
- develop an innovation culture embedded throughout the University
- contribute to national initiatives in challenge-led research
- mobilise the diversity of staff to deliver the most significant research outcomes

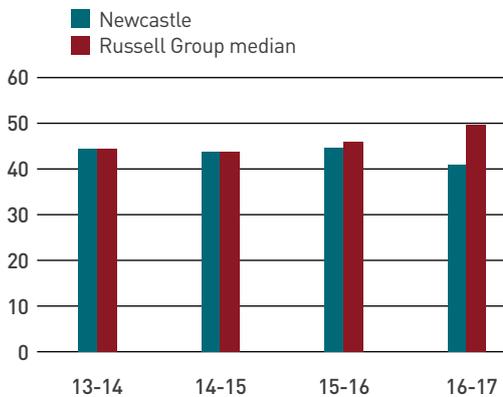
PRIORITIES

We aim to be a world-class research-intensive University that builds upon its distinctive attributes. These attributes include a broad disciplinary base at a scale that lends itself to collaboration, integration of teaching with research and engagement, world-leading research clusters and independent scholars, provision of real-world test beds for innovation, and deep regional and global partnerships. In doing so, we will help to transform

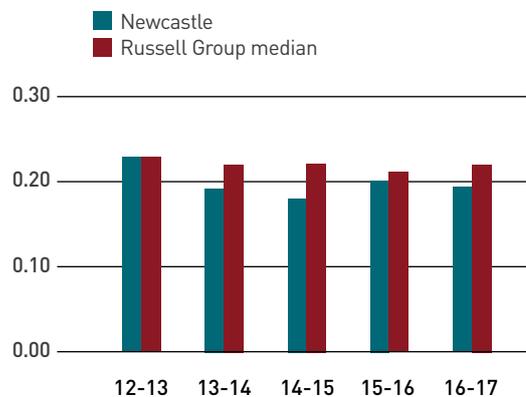
society through the application of our research and will provide leadership in identifying and responding to societal needs including those addressed by the UN Sustainable Development Goals. Our priorities are to:

- perform high-quality research that is internationally recognised and make it accessible and responsive to its end users
- grow research income and the proportion of our research activity that is externally funded, including

**Research income per academic FTE (£k):
Target ≥ Russell Group median**



**Number of PhDs graduated per academic FTE:
Target ≥ Russell Group median**



MEASURING SUCCESS

We assess our research performance by comparing to the Russell Group of UK research intensive universities. Although there are many qualitative indicators of performance, the three key metrics which we track are research income per full-time equivalent (FTE) academic employee, number of PhD students graduating for FTE academic employee and field weighted citation impact. On all three, we seek to be better than or equal to the Russell Group median.

PROGRESS DURING THE PAST YEAR

This is an exciting time for research at Newcastle. During 2017-18 a new University Research Strategy was developed which sets the aspiration for us to retain our status as a research-intensive world-class institution by playing to our distinctive attributes, aligning with new opportunities for external research funding, and progressing more people into research-led careers.

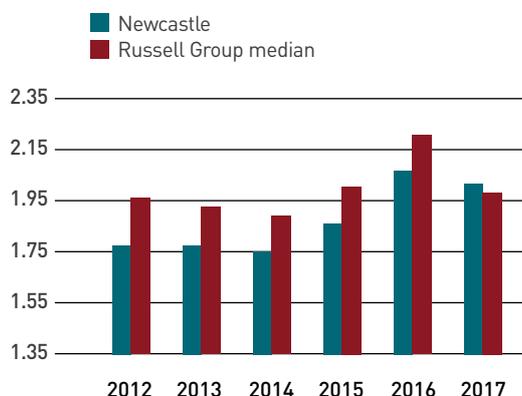
Newcastle is well known for research carried out in many disciplines. Five areas of particular strength where we are recognised nationally and internationally are in energy, ageing, cities, culture and creative arts, and data. Other domains will emerge over time. Indeed, over the past year, amongst many other examples, high profile research projects worthy of note include:

- Research carried out at Newcastle resulted in the first human corneas to be 3D printed. The proof of concept research, published in Experimental Eye Research in May 2018, reported how stem cells from a healthy donor cornea were mixed together with alginate and collagen to create a solution that could be printed, a 'bio-ink'. Using a simple 3D bio-printer, the bio-ink was successfully extruded in concentric circles to form the shape of a human cornea. This research highlights the significant progress that has been made in this area and brings us one step closer to reducing the need for donor corneas, which would positively impact many patients living with sight loss.
- A fascinating Arts and Humanities Research Council (AHRC) funded project saw contemporary artworks installed among the ancient ruins of Herculaneum and Pompeii, creating two art venues in stunning, historically resonant settings. The project combined archaeological investigation, 3D digital scanning and printing to further explore and understand the houses. Led by Catrin Huber, a visual artist and Senior Lecturer at Newcastle, this project was a stimulating and thought-provoking experience for visitors, helping them to look at these remarkable World Heritage sites from a new perspective.



- A project, led by the University, Newcastle City Futures (NCF) is bringing together academics, local government, business communities and charities. A report, Newcastle's System of Systems, produced by NCF, provided the UK's first overview of how digital technologies are positioning Newcastle as the country's smartest city, identifying current developments and setting out a vision for the future.
- Our scientists worked on a project to increase understanding of how antibiotics treat bacterial infections. Targeting the outer membrane offers alternative ways to kill pathogens and our new data shows

Field Weighted Citation Impact



us why bacteria are vulnerable to this type of attack. With the number of antibiotic resistant bacteria increasing in recent years, the ability to develop a way to combat this resistance could be essential for our future health.

- A new species of fish, discovered 8,000 metres down by scientists from Newcastle and the University of Washington, was named one of the most remarkable new species of 2017 by the World Register of Marine Species. The Mariana snailfish (*Pseudoliparis swirei*) was discovered and is officially the deepest fish in the ocean, thriving at depths of up to 8,000 metres (26,200 feet) along the Mariana Trench near Guam.

- Experts from Newcastle are working with colleagues at Ardhi University in Tanzania to tackle one of the world's biggest dangers to health. According to the United Nations, an estimated 1.8 billion people are exposed to drinking water sources contaminated with faecal matter which may cause a range of diseases if consumed. The project aims to shorten the time required to measure water quality and share this information with the Tanzanian authorities. In turn, the team hopes that more people will understand the dangers present in some of the untreated local sources.

The past year has seen major changes in the external research landscape including the merger of the Research Councils and Innovate UK into UK Research and Innovation with an increased focus upon interdisciplinarity and a renewed commitment to increase research and development spend in the UK from 1.7% to a more internationally competitive 2.4% of GDP over 10 years.

The University performs very well, in the top six in the UK, in collaborative and contract research with commercial partners. This has been built upon over the past year with successes in Industrial Strategy Challenge Fund awards. The Government is organising this in a series of Waves. We gained two awards in Wave 1; a number are currently being assessed in Wave 2

and the University is contributing to 3 of the 18 selected across the whole of the UK for potential inclusion in Wave 3 competitions. Our spin-out activity goes from strength to strength. Underpinned by our Northern Accelerator programme in collaboration with Durham University, we have seen a major increase in the number of new companies formed. More importantly, they are attracting significant funding, creating high-quality skilled jobs in the area. NewCells Biotech, for example, was formed in 2015 and attracted £2m investment in the summer of 2018.

LOOKING AHEAD

Our new Research Strategy contains a dozen priority actions grouped under the four guiding principles of the University's Vision and Strategy: for research, *visibly leading* means setting our sights on future goals and how we will reach them; *working together* means playing to our cohesive scale and overcoming barriers to collaboration; *giving people freedom and opportunity to succeed* means helping everyone at Newcastle to contribute to the research mission; and being *challenge-led* means co-creating with the outside world.

Transformative initiatives described in the Research Strategy will be launched by the end of 2018, including the Newcastle University Academic Track (NUAcT) scheme for which Council has approved a £30m investment to support the recruitment of 100 fellows. Alongside these initiatives, 'business as usual' continues with preparations for REF2021. The REF Steering Group is focused upon how to optimise the University's submission in light of more inclusive revised REF criteria, which will offer opportunities to emphasise the multidisciplinary research across the University and the collective contributions from all of our research staff.

The intention is that the Research Strategy will give shape, coherence and priority to our future research and so will ensure that the University benefits from the new funding landscape and is where it belongs at the forefront of international research.

ENGAGEMENT AND PLACE

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

Overall
Assessment
Good

PRIORITIES

Universities have a critical role in shaping civil society. There are many diverse and complex challenges that society faces across the globe that require high quality disciplinary and interdisciplinary researchers and educators working with partners to explore possible solutions. Newcastle University has a strong tradition of working together with partners for the public benefit through the co-creation of knowledge and we are committed to strengthening this further, as well as continually improving our methods of and approaches to collaboration. During 2018 we carried out an extensive consultation with both internal and external stakeholders to create the University's first Engagement and Place Strategy, which we plan to launch in December 2018. Our strategy will be concerned with improving the economy, health and social wellbeing and cultural richness of the places in which we operate.



Great Exhibition of the North, 2018.

Given the history, location and size of our main campus in Newcastle, our engagement and place-based aims are mainly directed at producing economic and societal benefits for the population of North East England and the north in general. Our approach is to nurture creativity, change and innovation – expanding our contribution to the city and the region and developing our wider influence.

Our specific aims are to:

- work closely with regional industries and businesses to address their needs including those related to: research and development; current skill shortages in their workforce and their requirement for appropriately trained graduates through mechanisms such as Continuing Professional and Executive Development and degree level apprenticeships
- be an effective partner for business, local government, the NHS, the voluntary, community and social enterprise sector and cultural organisations
- improve the social mobility of people from under-represented and disadvantaged backgrounds by ensuring our education is as widely accessible as possible
- use our global reach to increase the international connectivity of our region and contribute to the vibrancy and cultural richness of our region
- equip academic and professional staff with the skills to address some of the policy challenges facing local, national and international governments

Social justice is a key theme within the emerging strategy, and we recently appointed a Dean of Social Justice to lead on this area. This will help to ensure that social justice is embedded in all that we do, from our research and teaching programmes, to our institutional procedures and the way in which we collaborate with our external partners both locally and globally.

PROGRESS DURING THE PAST YEAR

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

- the Freedom City 2017 programme, an academic and cultural programme to mark the 50th anniversary of Dr Martin Luther King Jr. receiving an honorary degree
- the Policy Academy, a programme for staff across the three faculties and professional services who wish to strengthen their skills in policy engagement
- the Voluntary, Community and Social Enterprise (VCSE) Innovation Support Programme, a funding scheme aimed at strengthening our partnerships with organisations in the VCSE sector

We launched several commercial engagement programmes such as Arrow, a £3.4m innovation programme which aims to match University research and innovation projects with the needs of businesses in the North East of England. We were successful in two Connecting Capability Fund (CCF) awards: one led by Durham, with partners at Sunderland and Northumbria to support innovation and new company formation; the other led by Sheffield, with partners at Oxford and Cambridge to investigate best practice and innovative new models relating to the Internet of Things.

FREEDOM CITY 2017

Freedom City concluded with a number of high-profile events. This included a special honorary degree ceremony to honour those who have made a significant contribution to civil rights including Andrew Young, who had visited Newcastle with Dr King in 1967, and who unveiled a new bronze statue of his old friend and colleague to mark the 50th anniversary. The programme came to a close in April 2018 with an exhibition looking back at the projects which had been delivered over the previous 18 months and a memorial service marking 50 years since Dr King's assassination.

Freedom City 2017 has led to a renewed focus across the University on upholding the values Dr King embodied. While the core programme took place in 2017, we are now moving forward with legacy initiatives; these include, a bi-annual Martin Luther King Jr. public lecture on social justice and working towards becoming a University of Sanctuary and accreditation under the Race Equality Charter.

GREAT EXHIBITION OF THE NORTH 2018

Newcastle University was among the key partner organisations involved in the Great Exhibition of the North. Inspired by the trailblazers of the north, the 80-day exhibition celebrated the art, design and innovation strengths of the north. The exhibition was a fantastic opportunity to demonstrate how Newcastle University innovations – whether they are in the medical, science and engineering or arts and culture spheres – have a direct relevance to people and communities locally, nationally and globally. The Great North Museum: Hancock was one of three hub locations for the Great Exhibition of the North, and the starting point for the three trails to guide visitors across the city.

Projects involving Newcastle University included:

- Future Everything: the real-time data collected by the University's Urban Observatory – covering everything from air pollution, traffic and weather to energy use and even tweets – was used to generate a poem displayed outside the Theatre Royal to tell the live story of our city as it unfolds.
- At Newcastle Helix, the Future Homes exhibition showcased new ways to build and power our homes through virtual reality visualising how the technologies of today could transform the way we will live tomorrow.

Alongside the main programme, the University hosted an exciting series of Inspired By events and activities, highlighting some of the University's world-leading research in smart cities, sustainability, cultural heritage, creative arts, and ageing through a variety of performances, talks and exhibitions.

GLOBAL

Being a globally inclusive institution

Overall
Assessment
Satisfactory

PRIORITIES

In support of our new Vision and Strategy, we are developing a Global Strategy that will be finalised by the end of 2018. This will be critical to our future success. Our global ambitions may be impacted by Brexit and other external factors but growing the number and diversity of international students and improving our international reputation remain key objectives. Our presence outside of Newcastle allows 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, staff from over 90 countries and a global alumni network exceeding 219,000.

MEASURING SUCCESS

World University Ranking Tables	2015	2016	2017	2018
Leiden	104	114	105	132
QS World University Rankings	162	168	161	148
Times Higher Education	196	190	175	171

PROGRESS DURING THE PAST YEAR

Over the past year our international profile continued to grow. We improved our position in both the Times and QS World University Rankings by several points. We welcomed presidential delegations from the University of Pittsburgh and Xiamen University, and signed Memoranda of Understanding with leading national universities such as the University of Malaya. We increased and reinforced our participation in international networks such as the Research and Education Network for Knowledge Economy Initiatives (RENKEI): a group of 12 world-leading universities in Japan and the UK. 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.

INTERNATIONAL STUDENT EXPERIENCE

We support more than 200 Erasmus+ student and staff exchange partnerships with European institutions as well as 50 Non-EU student exchange partnerships. Outgoing and incoming students grew from 368 in 2016-17 to 437 in 2017-18. Erasmus+ student and staff mobility funding (received from European Commission) grew from €678,000 in 2016-17 to €849,000 in 2017-18. The International Student Barometer Autumn 2017 results showed a high level of satisfaction among students from around the world, with 93% of respondents stating they were satisfied with the University overall.

GLOBAL CHALLENGES

In the last 12 months we have focused on working with global partners inside and outside of higher education and are proud to support the United Nations Sustainable Development Goals (SDGs) – seeking peace and prosperity for all people and the planet by 2030. Our new Global Challenges Academy underlines our commitment and better enables us to make our research work for sustainable international development. It fosters research and partnerships to help realise the UN SDGs, particularly in low and middle income country settings where solutions are most urgently needed. Towards this end, we are a member of the UN Academic Impact Initiative



NUMed Malaysia and Universiti Teknologi Malaysia renew the Memoranda of Understanding at a ceremony in November 2017.

and engage with the International Council for Science, which enables us to connect our research to UN processes around the SDGs. So far our activity in this area has focused on sustainable water, food security, global ageing, resilient cities, sustainable livelihoods and cutting sugar consumption. Our Global Challenges Academy scholars have attracted external research funding to, for example, provide decent livelihoods for artists in East Africa, improve dementia care in Malaysia, Tanzania and India, and track antimicrobial resistance in Malaysia.

GLOBAL ALUMNI NETWORK

More than 29% of our alumni live overseas. We engage with them by providing relevant and value-led opportunities and communications and seeking their expertise in shaping our students' academic experiences. In 2017-18 events included thought leadership activities and professional networking in Kuala Lumpur, Vancouver, and Hong Kong. Building on our existing international alumni chapters, two new chapters are emerging in Hong Kong and Singapore. We recruited 22 International Alumni Representatives, key advocates enhancing our international student recruitment and profile raising initiatives. In 2018, we recognised the impact the alumni body make on industry, society and their community internationally, with the first alumni achievement award in

recognition of international impact.

PARTNERSHIP DEVELOPMENT

We are committed to making Newcastle University one of the best universities in the world to work with, including for our international partners. We have co-ordinated extensive, targeted professional development training for governments, industrial and educational partners enabling us to increase knowledge and connectivity beyond the university sector, reaching into international society more generally. In the past year, we have supported 14 partnerships with overseas institutions where we have a centrally co-ordinated academic lead, and hundreds more where the partnership is co-ordinated by individual academic units. One example of activity which it is only

possible to achieve with and through partnership is the successful bid with the University of Pittsburgh to the Jean Monnet Network Fund – Transatlantic Perspectives on Energy and Cities – evaluated as having strong potential for academic, societal and political impact.

OUR LOCATIONS

Our sites in Malaysia and Singapore continue to build and strengthen; in November 2017, we opened the Newcastle Research and Innovation Institute in Singapore (NewRIIS). This is a cutting-edge research facility that is strategically placed to facilitate collaboration with academic and industrial partners in Southeast Asia. The table below shows our teaching in campus locations outside Newcastle.

Location	Provision	2017-18 Students
Malaysia	Undergraduate Medicine (MB BS), a BSc in Biomedical Sciences and some professional development provision	739 undergraduate 9 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, chemical engineering, and food and human nutrition	664 undergraduate 44 postgraduate
London <i>in collaboration with INTO</i>	Degree programmes in business-related subjects and pathway programmes	277 undergraduate 127 postgraduate

PEOPLE: STUDENTS AND STAFF

We aim to be recognised for an outstanding and agenda-setting people strategy that builds on our core values of equality, diversity, inclusion and social justice, respects and upholds academic freedom and encourages excellence, ambition and creativity in our staff and students. We aim to attract the very best students and staff and to support our people to achieve their full potential regardless of background. This includes the development of our own staff and the close collaboration with partners to tune our education and training to meet both existing and emerging requirements.

STUDENTS

Total registered students as at 1 December 2017 were 28,097, a 6% increase compared to 1 December 2016. Within that, provision in London almost doubled to 404, although there were small reductions in overseas students studying at Newcastle and at Singapore.

Since 2011, Home and EU students based in Newcastle have increased by 30% and international students have increased by 5%, an overall increase of 22% in six years.

This section (pages 36–47) identifies the strategic enablers, or inputs, we draw upon to support our core activities of education and research. As the University's Chief Operating Officer, I am responsible to the Vice-Chancellor for leadership of the Professional Services teams which support development of our strategic enablers.

Dr John Hogan Registrar

Total students at 1 December	Full-time	Part-time	2017 Total	2016 Total	Change %
Undergraduate					
Home and EU	17,161	65	17,226	16,028	+ 7%
Overseas	2,165	10	2,175	2,180	- 0.2%
Total	19,326	75	19,401	18,208	+ 7%
Postgraduate					
Home and EU	2,905	1,387	4,292	4,058	+ 6%
Overseas	2,420	124	2,544	2,503	+ 2%
Total	5,325	1,511	6,836	6,561	+ 4%
Other locations					
London	383	21	404	204	n/m
Malaysia	739	9	748	666	+ 12%
Singapore	685	23	708	770	- 8%
Total	1,807	53	1,860	1,640	+ 13%
Total	26,458	1,639	28,097	26,409	+ 6%



PARTNERS Programme Summer School.

Newcastle University is a selective institution committed to widening participation and equality of opportunity across the student life cycle. We aim to recruit 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. In this regard, the University leads successful national and regional Widening Participation (WP) partnerships, and has built outstanding relationships with schools, colleges and education partners to ensure we are pro-active and relevant in meeting the needs of schools and colleges.

In September 2017, the University opened a Further Maths Study Centre specifically for students from North East schools where Further Maths is not available due to limited funding and teaching resource. In October 2017, a pilot programme was launched at Westgate Hill Primary School, identified as 'requiring improvement' by Ofsted, where staff

and current students have worked intensively to develop and deliver a bespoke programme to improve literacy for Year 6 students with English as their second language.

Our flagship PARTNERS Programme is available to eligible students from all schools in England, Northern Ireland and Scotland. Applications to PARTNERS have increased from 1,255 in 2015 to 2,130 in 2017, when PARTNERS students accounted for 61% of the University's WP intake.

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 team of highly professional Recruitment Co-ordinators and Graduate Ambassadors delivered activities to approximately 180,000 students, including more than 1,000 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 Newcastle University is no exception. The University's 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 evening counselling service with 1,600 additional appointments available to students, the training of all therapists in telephone therapy, and formalised relationships with partners such as the School of Psychology, Rape Crisis and NHS talking therapies services.

Sport continues to enhance our student experience with 8,350 students taking out Sports Centre membership. In performance sport, Newcastle had 78 teams competing in the British Universities and Colleges Sport (BUCS) programme including 12 Premier League teams. Team Newcastle were ranked 10th out of the 164 competing institutions with the Boat Club winning the overall Victor Ludorum title at both the BUCS Head and the BUCS Regatta.

Campus Sport, our participation sports programme, had 28,581 visits to exercise classes, while our intra mural sports programme featured 277 teams competing in 14 different sports, together staging 1,259 fixtures and places for 3,631 participants. Supporting this programme were 96 intra mural sports volunteers who between them contributed 6,912 volunteer hours, with 35 sports volunteers using this experience to complete the University's ncl+ award.



Twins Jane and Louise Wilson are one year into a joint professorship at Newcastle University.

In terms of facilities, the new Sports Centre development commenced in January 2018, and will include an eight-court sports hall, four squash courts, a 175-station gym and other facilities for Sport and Exercise Science. Planning permission was also granted for the development of Cochrane Park, to include three artificial turf pitches and a pavilion extension, with this project due to complete in March 2019. Supporting all of this, the University's Sport Strategy was approved by Senate and Council in October 2017.

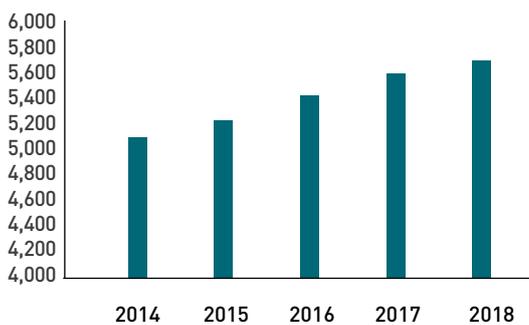
STAFF

Full-time equivalent staff were 5,674 as at 31 July 2018, an increase of 102 (2%) from 31 July 2017. The bulk of the growth was in academic staff, who increased by 5% as we took further action to improve student-staff ratios from 15.6:1 in 2013-14 to 13.8:1 by the start of the 2017-18 academic year. Average staff during the year increased by a further 3%.

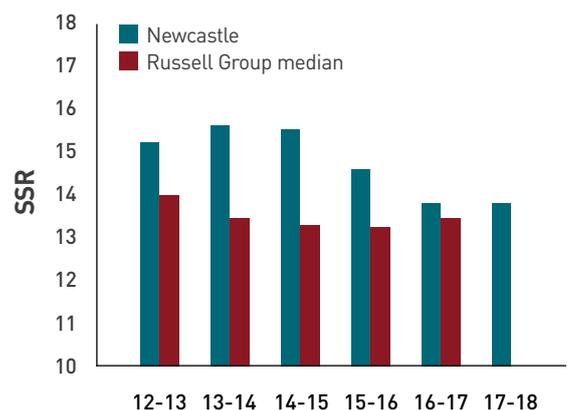
Recruiting highly talented people remains one of our top priorities and we have taken steps over the year to strengthen our capacity through the

establishment of specialist recruitment and employment solutions teams, with greater expertise at all levels, including on immigration and onboarding. The implementation of a new recruitment solution is the first stage of a major new investment in the digital transformation of HR, to transform service delivery. The new recruitment module will become operational by August 2019. The roadmap to upgrade our HR systems will roll out over the next five years with the aim of creating a fully integrated suite of systems and processes.

Full-time equivalent staff as at 31 July



Student-Staff ratio (with 17-18 estimate)

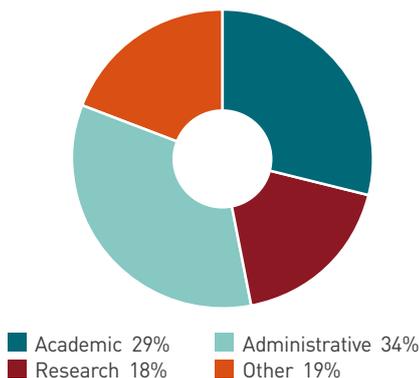


A key focus over the past year has been staff engagement, with staff actively involved in developing and refining our new Vision and Strategy, and there will be further opportunities for involvement following its formal launch in October 2018.

Professional Services staff have been actively working to develop ways in which this key group of employees, which comprises around one half of our workforce, can provide the best possible services in partnership with our academic and research colleagues. Under the leadership of the Registrar, this work will continue through several work streams to deliver improvements over the coming months.

Our work on equality, diversity and inclusion continues to gather pace. As well as joining the Business Disability Forum and establishing a new joint staff/student Disability Interest Group, we have also begun to prepare for joining the sector's Race Equality Charter, building on this year's celebrations of Dr Martin Luther King Jr's visit in 1967. In June, we held our first Equality, Diversity and Inclusion Research Conference, showcasing some of the best research in the field. In April, our Faculty of Medical Sciences submitted an application for an Athena SWAN Silver Award, as we look to add to our University Silver award, six departmental Silver awards and 13 Bronze awards.

Staff by category
Full-time equivalent as at 31 July 2018



Notable awards during the year

Former Vice-Chancellor, Professor **Chris Brink** was awarded a CBE for services to Higher Education.

Visiting Professor, **Colin Herron**, was awarded a CBE for services to Business and to the Renewable Energy Sector.

OBEs were awarded to Professor **James Law**, for services to Speech and Language Therapy, and to Professor **Dave Jones**, for services to Liver Disease and Training.

Professor **Tracey Palmer**, Professor of Microbiology was elected to the Fellowship of the Royal Society in May 2018.

The Vice-Chancellor's Distinguished Academic Contribution Awards were made to Professor **Ann Daly**, Professor of Pharmacogenetics, and Professor **Steve McHanwell**, Professor of Anatomical Sciences.

This year's recipient of the Vice-Chancellor's Academic Distinction Award was Professor **Paul Watson**, Professor of Computing Science, in the Faculty of Science, Agriculture and Engineering.

This has been a challenging year for employee relations. A prolonged period of industrial action linked to proposed benefit restructuring of the USS pension scheme, caused significant disruption to teaching activity, with around 650 staff taking action. The dispute ended in time for us to ensure that all students were examined and able to graduate, but ongoing challenges over national pay and pension changes create a continuing risk going into the new academic year.

The new Organisational Development (OD) team which was established in May 2017, continues to develop their expertise and capability. During the year all the OD leads qualified as coaches, undertaking a Postgraduate Certificate in Coaching, whilst the wider team took part in a two-day facilitation skills workshop. 2018 will also see the launch of the refreshed open training programme with a wide range of face-to-face and online training programmes.

Executive Board role modelled excellence in leadership this year by embarking on a series of reflective development activities as individuals and as a team. A further 86 leaders were also involved in a range of leadership development interventions which included new Heads, Deans and Directors of Institutes attending our flagship Academic Leaders' Programme. Over 20 of our most strategic leaders undertook 360 degree feedback exercises this year and we were especially pleased to launch our very own 360 degree feedback exercise, NU360. Our leadership succession work continued apace with those colleagues who have shown leadership potential, all with the aim of future-proofing the leadership of the University moving forward. We are particularly proud of a number of high profile in-house promotions.

Another highlight was the launch of the Technicians Commitment across the University, an initiative to ensure the professional development and recognition of technicians. 2017-18 has seen a growing understanding of the apprenticeship levy and how it can be utilised to increase staff development, this will gather pace in the next year, with a dedicated post being established in the OD team and a pilot programme approved for business administration across the University.

INFRASTRUCTURE



Extra study spaces have been created across the University's library provision.

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 environment facilitates creativity and engagement between students, staff and our external partners.

INFORMATION TECHNOLOGY

The IT service made stable progress in the first half of the year, continuing developments begun in 2016–17. It made significant preparations to move itself and other University staff out of the Claremont–Daysh complex, with the NUIT team moving offices for the first time in 50 years.

Although student satisfaction with IT resources and facilities fell 1% to 87% in the National Student Survey (NSS), this remains within the top quartile for both the whole sector and those Russell Group members in the report. PC procurement consolidation

continued, with 2017–18 seeing the largest tender to date for 1,316 units, realising savings of 13.5% over previous pricing.

The total volume of calls into the service desk grew a further 10% in the year, consistent with the four-year average. Service desk staff numbers remain static.

Use of all services remained stable or showed slight increases, including the virtual learning platform and the ReCap lecture capture service, with the latter showing just over 6% increase in recordings and a 12% increase in viewings, up 2% on 2016–17.

The University continued to expand its high-performance computing service but recruiting suitably skilled support staff remains a struggle in the North East. Total storage across all services increased almost one petabyte, to almost 4.5 petabytes in total, although problems were encountered with data replication for fault tolerance, necessitating the procurement of network attached storage to be installed over the summer of 2018.

In identifying our need to improve and formalise our IT strategy, we have made a number of senior appointments during the year including a new Chief Information Officer, who took up the post in March and a new Chief Information Security Officer, taking up the role during the final stages of work in preparation for the introduction of the General Data Protection Regulation (subsequently the Data Protection Act 2018).

LIBRARY AND ARCHIVES

The final phases of the Marjorie Robinson Library Rooms refurbishment were completed in September 2018 bringing the library space up to the highest building standards with over 800 fully serviced study spaces to complement the other existing library locations. These include the newly refurbished Walton and Philip Robinson Libraries where an additional 200 high quality study spaces were created in time for the new 2017 autumn term.

The Library's Special Collections, home to Newcastle University's archive and rare book collections, has recently been awarded a UK-wide quality standard. The Archive Service Accreditation provides a benchmark for gauging performance, recognising achievement and driving improvement within the archive sector. The popular and prestigious Gertrude Bell Archive held within this service and co-curated with the School of Archaeology secured UNESCO International Memory of the World status in December 2017 in recognition of its global significance.

ESTATE

We continue to improve the quality and functional suitability of our floor space through investing in maintenance, new build, refurbishment, rationalising the use of space and withdrawing from, or finding alternative uses for, space that is no longer fit for purpose. We have also acquired and leased new buildings and additional floor space. The table below shows our progress to date:

*Top quartile in the Russell Group (previously benchmarked against a peer group)
 **2017-18 targets are subject to HESA data confirmation
¹Increase largely due to Armstrong Building refurbishment

Measure	2014-15	2015-16	2016-17	Russell Group Benchmark	Target** 2017-18
Floor space in condition category A & B	88%	88%	88%	76%*	88%
Floor space in functional suitability grade 1 & 2	91%	91%	96% ¹	86%*	95%
Gross internal area per student & staff FTE (m ²)	12.4	12.0	11.6	12.6*	11.9

The operational estate area at July 2018 was 221,600m² (net internal area), an increase of 2,500m² on the previous year, primarily due to the addition of new facilities. The floor area is estimated to increase further to 229,000m² by July 2019 as new buildings, refurbishments and extensions become operational.

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 96% (95% target) with frequency of use at 60% (60% target).

Improvements to the campus environment continued with the installation of the Dr Martin Luther King Jr. sculpture, together with the landscaping of King's Quad, both completed in autumn 2017. The refurbishment of the Boiler House as event space, the extension of the Forum landscaping, together with a new accessible entrance to the Bedson Building, completed this project. As part of the University's commitment to equality, we continue to invest in a programme of accessibility, including an accessible ramp to Old Library Building from Old Quad. The Art and Performance on Campus initiative continued with agreement for a five-year loan of a sculpture by Sir Antony Gormley, as well as other sculpture loans.

Other developments of our University estate continue. Phase 5B of the major refurbishment of the Armstrong Building, including the window replacement programme, is approaching completion. The High Voltage Substation upgrades are continuing successfully and on programme. Smaller refurbishment projects in train include reconfiguring the Devonshire building for Interdisciplinary Computing and Complex BioSystems (ICOS), the Drummond multidisciplinary laboratories and the Medical Sciences Faculty Laboratories A and B and Anatomy Suite.

The development of Newcastle Helix continues. The award winning Urban Sciences Building opened in summer 2017 and has achieved five Constructing Excellence in the North East awards, including Project of the Year, a Lord Mayor's Award for Sustainability and was Royal

Institution of Chartered Surveyors Regional Winner for Design through Innovation. Construction continues at the Learning and Teaching Centre and the Innovation Centre, both due to complete in 2019 along with extensive landscaping and infrastructure works.

The decant plan for the redevelopment of the Claremont Complex is in place, for which we have acquired Great North House and leased space in Northumberland House. Black Horse House was refurbished in readiness to decant staff in early autumn 2018. Construction work to the Claremont Complex started in October 2018, with completion in 2021.

The Sports Centre extension on the adjacent Richardson Road site has commenced construction; the Sports Strategy also includes the extension of the current facilities and the redevelopment of playing fields at Cochrane Park. The development of the final plot on the Richardson

Road site is being progressed; this academic building will accommodate the Schools of Sport, Exercise and Nutritional Sciences and Psychology.

STUDENT RESIDENTIAL ACCOMMODATION

The Accommodation Services Strategic Plan, which includes a number of proposed disposals and developments, was approved by University Council during the year. The 1,279-bed Park View Student Village development was completed in September 2018. Options are being considered for the redevelopment of the Castle Leazes site with a view to increasing capacity from 1,100 beds to *circa* 2,000; a variety of financial and location options are being considered. Various smaller residential projects are planned, including the refurbishment of Marris House.



Rap star, philanthropist and tech-fan Will.i.am visited the Urban Sciences Building to launch a new project exploring how to regain public trust in digital technology.

NETWORKS AND RELATIONSHIPS

Our networks in the UK and overseas – including our alumni base – are key to the delivery of our strategy. As one of the largest employers in the region, we recognise our responsibility to engage with the local community and businesses. Our aim is to develop these networks and partnerships and through our Engagement and Place Strategy establish the University as a collaborative leader for global connections with the places in which we operate – in particular for global connections with the North East of England.

NEWCASTLE HELIX

Newcastle Helix brings together industry leaders, businesses and top researchers in a new innovation community located in the heart of the city. The site, formerly known as Science Central, is a 24 acre urban development site, trialling new energy systems, smart engineering and city data applications to create a full-scale demonstrator for urban innovation and make cities more sustainable for future generations.

A unique partnership between Newcastle University, Newcastle City Council and Legal & General is developing the site, collectively investing over £350m.

2018 saw the official opening of the Urban Sciences Building by the Rt Hon Matt Hancock, the topping out of the National Innovation Centres for Ageing and Data by the Secretary of State for Business, Energy and Industrial Strategy, Greg Clark – who originally opened the site in 2014 – and the creation of a new, generative logo that uses data collected on Newcastle Helix to create a constantly moving image.

Our partners on the site are building a laboratory incubator building, an energy centre, speculative offices as well as options for a hotel and private residential accommodation. Potential research related projects include the Electric Vehicle Filling Station and Future Homes. The completion of new office facilities, teaching space research facilities and commercial laboratory space will grow the site from 5,000m² to 70,000m².

VOLUNTARY, COMMUNITY AND SOCIAL ENTERPRISE ENGAGEMENT

Sustained partnership working with the Voluntary, Community and Social Enterprise (VCSE) sector is vital to ensure that our engagement is truly mutually beneficial. The membership of our VCSE Implementation group includes representation from some of our external partners including Voluntary Organisations Network North East (VONNE) and Youth Focus

North East. This year we have funded seven projects through our Innovation Support Programme which supports our academics to work with our partners in the VCSE sector.

THE BUSINESS COMMUNITY

Our relationships with business range from small-scale student placements and providing access to scientific instruments for local companies through to major strategic partnerships with multi-national corporate organisations. We perform particularly well in collaborative research (4th highest university by value in the UK) and in contracted commercial research (12th highest). We are increasingly working with industry partners to address the challenges posed by the government's Industrial Strategy and the opportunities that it brings us to co-create new research for societal benefit.



The Rt Hon Greg Clark, MP, Secretary of State for Business, Energy and Industrial Strategy, performs the topping out ceremony at the National Innovation Centre with Pro-Vice-Chancellor for the Faculty of Medical Sciences Professor David Burn and Newcastle City Council Chief Executive Pat Ritchie.

REALISING OPPORTUNITIES

Newcastle University leads Realising Opportunities, a partnership of 14 leading universities working together to increase the number of able young people from under-represented groups progressing to research intensive universities. Since 2010, Realising Opportunities has worked with over 6,000 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

The North East Collaborative Outreach Programme is a consortia of the five universities and 17 FE colleges in the region, led by Newcastle University. Through partnership working, it aims to increase the number of young people in the region progressing to higher education. A grant of £9.2m has been provided by HEFCE/the Office for Students (OfS) for the period January 2017–July 2019 to support this large-scale, collaborative effort. As one of 29 consortia nationally, Newcastle University has led the development of an innovative programme of progressive, targeted interventions delivered in our FE colleges and 106 schools under the brand FutureMe, and has supported over 11,000 young people to date. Although we act as a regional leader in this programme, it has direct benefit for our own Widening Participation (WP) activity.

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 in the region. The partnership's aim is to become a powerful force for good in the region to support widening participation and social mobility. In 2017–2018 we worked with over 33,000 young people and parents and delivered tailored programmes for looked-after young people and young carers.

ENVIRONMENTAL SUSTAINABILITY

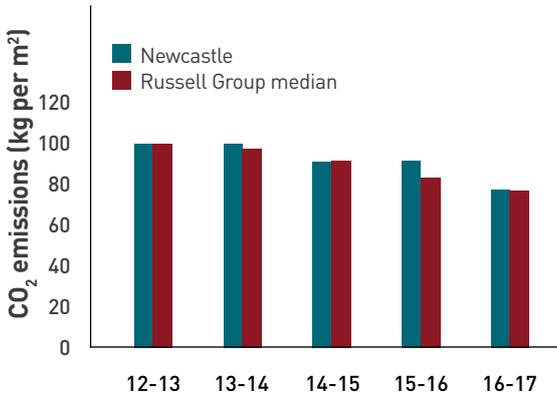
We have a deep commitment to managing our global campus in a sustainable manner, and we have made excellent progress in environmental management. In developing our new Vision and Strategy, it was important that we renew and strengthen this commitment. This includes building long-term climate resilience and the ethics of environmental sustainability into our thinking and practice at every level of the University; from our supply chains to our estate; from our research-informed teaching curriculum to an ethical approach to business development and partnership working.

Our approach integrates the operational and the academic, working together on transformative projects to address sustainability issues at local, regional and global level. Working collaboratively, we carry out research across traditional discipline boundaries to deliver practical, engaged solutions to real-world issues, and to enhance teaching and learning of our students. Our action plans deliver the commitments and objectives set out in our Vision and Environmental Sustainability Policy and we have a dedicated team with responsibility for implementation.



Top, Armstrong Building. Above, an example thermal image of Armstrong Building windows – in this image, the bottom left pane has yet to be replaced.

**CO₂ emissions: Target – 52kg (scope 1 and 2)
CO₂ per m² gross internal area by 2020**



With regard to our estate, one project with outstanding improvement in sustainability in 2017–18 has been the refurbishment of the Grade 2 listed Armstrong Building which has included the replacement of *circa* 2,400 single-glazed windows with heritage-quality double-glazed units. The refurbishment will improve the energy performance of the building, enhance comfort for students and staff, and protect the building for decades to come.

As we prepare for our next major refurbishment, the Claremont Tower

and Bridge and Daysh Building project, we have focused on reducing waste and maximising the use of resources from the vacated spaces through the reuse of furniture in teaching rooms or decant premises and the donation of items of furniture to a local charity.

Further projects to reduce energy consumption and carbon emissions have included continued investment in LED lighting, a project to reduce cooling energy consumption in our data centre and further investment in advanced controls for heating and

ventilation. Investment in Automatic Meter Reading (AMR) technology means we are now able to monitor water use in almost real time. The AMR allows us to recognise and quickly react to abnormal water flows, identifying issues such as leaks or wastage by users. In the past year, we have identified six significant abnormal water use events and the estimated avoided costs from the identification of such issues amount to *circa* £140k.



Phase 1 of the Claremont–Daysh refurbishment is due for completion in 2020.

EFFECTIVENESS AND FINANCIAL SUSTAINABILITY

Our financial strategy sets out six key priorities:

- create capacity for strategic development by achieving an average adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) margin of at least 6% of income, with a 4% minimum in any financial year
- maintain a robust balance sheet with sufficient cash reserves to meet our financial obligations
- deliver value for money in all our activities
- use the University's cash reserves and, if necessary, borrowing capacity, to invest in academic and student experience to enhance research quality and reputation, teaching quality and student satisfaction
- improve our market share of income within the Russell Group
- provide enterprise resource planning services that are top quartile in higher education and which meet our legal and ethical obligations

To achieve our ambitions for education, research and engagement, we require effective and joined-up student and staff services and good governance. We take pride in our professionalism and review our business processes on

a regular basis to deliver sector-leading services to meet changing needs. We also recognise that to be effective requires us to be agile, resilient and cost-efficient – qualities that underpin our University-wide approach to professional services.

In 2017 we completed the roll out of a central purchasing hub. The majority of all orders are now raised via a professional team which has reduced the number of staff undertaking this transactional activity, increased compliance, reduced queries and lowered the time taken to pay our suppliers.

The National Student Survey (NSS) includes two sections directly related to service delivery:

- access to IT and library resources – at 89% Newcastle is in the top quartile
- organisation and management – at 76% Newcastle is above average for English institutions.

These results confirm that recent investments in our library delivery model – opening of the Marjorie Robinson Library rooms and the extension of 24-hour access – are delivering positive outcomes directly to our students.

Our JobsOC scheme offers students the opportunity to undertake short-term employment assignments which provide them with valuable income and work experience. This also reduces the University's need to use short-term agency staff, reducing cost to the service by at least 20% due to the underlying VAT savings.

We are part of a Russell Group benchmarking consortium. The 2017 results show that we have the lowest support costs of the 18 members, approximately 14% below average. A major contributor to this result is the low level of outsourcing of our Professional Services (4% contractor against average of 13%). There is growing evidence that in-house provision is cost effective and drives higher satisfaction amongst academic staff and students.

Some of our 'back office/transactional' activities are sector leading. These include our student admissions process costs – £31.73 per student (65% below average), cost of invoice paid – £21.69 (35% below average) and cost cleaning/m² – £11.68 (40% below average). These effective delivery models have enabled us to release resources to invest in the campus infrastructure and more student facing services, e.g. Student Wellbeing.

FINANCIAL REVIEW

HIGHLIGHTS

	2017-18	2016-17	Change
Income (£m)	511	488	+5%
Adjusted EBITDA (£m)	47	46	+2%
Adjusted EBITDA as % income	9%	9%	-
Year-end cash balance (£m)			
Gross	175	226	-23%
Net	49	102	-51%

The Financial Review (pages 48-53) analyses the University's financial performance during the past year, summarises our financial strategy and the future outlook. As the University's Chief Financial Officer, I am responsible to the Vice-Chancellor for delivery of the University's financial strategy and the preparation of these financial statements.

Richard Dale
Executive Director of Finance

INTRODUCTION

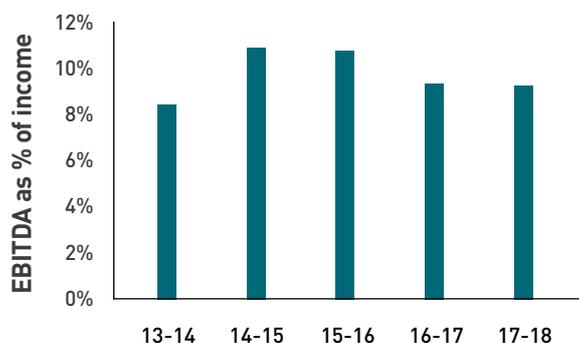
Our key financial sustainability metric (in common with most of the sector) is earnings before FRS 102 pension adjustments, interest, tax, depreciation and amortisation (adjusted EBITDA – see Note 27). We choose to focus on this as the best measure of our ability to generate cash as it is less susceptible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

2017-18 was another good year for the University although slightly worse than we would have expected 12 months ago. Adjusted EBITDA was £47.4m (9.3% of income) compared to £46.0m (9.4% of income) in 2016-17. Total income grew by 5% from £487.9m to £511.1m with a significant increase in fee income, reflecting the transfer of the School of Medicine, Pharmacy and Health from Durham in August 2017 and continued strong undergraduate demand in many of our humanities and social science subjects. Total expenditure increased by 6% from £468.9m to £499.5m, reflecting the investment in staff and facilities to successfully deliver the increased volumes of students.

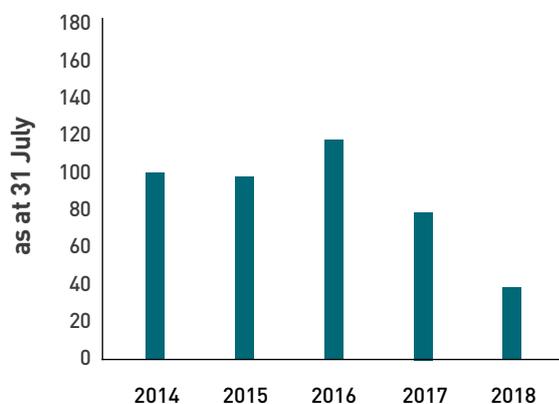


Adjusted EBITDA, as a percentage of income

Excluding the impact of Research & Development
Expenditure credits *N.B 2013-14 based on previous
accounting standards*



Net cash balance (£m)



Surplus after tax was £18.4m in 2017-18 compared to £27.0m in 2016-17. Much of the year-on-year decrease was due to a sharp increase in depreciation following completion of a number of building projects and the exceptional market performance of our endowment assets in 2016-17.

Cash balances declined in line with our plans as we continued to invest in building and research infrastructure across the campus. Capital additions during the year were £83.4m on

land and buildings and £11.1m on equipment and infrastructure. This resulted in gross cash balances, including short-term liquid deposits, declining by £51.4m from £226.3m to £174.9m. Net cash balances, which exclude the impact of borrowing activity and leases, reduced from £102.2m to £49.3m.

Our most significant financial risks are unaffordable changes to the fees and funding regime for home undergraduate students

and an unsustainable increase in employment costs, either through pay rises or through increasing pension costs. We are also concerned about the impact of the UK's decision to leave the EU, the UK demographic dip in 18 year olds and continued volatility in international student recruitment. Nevertheless, we remain confident that the University is well placed for the future.

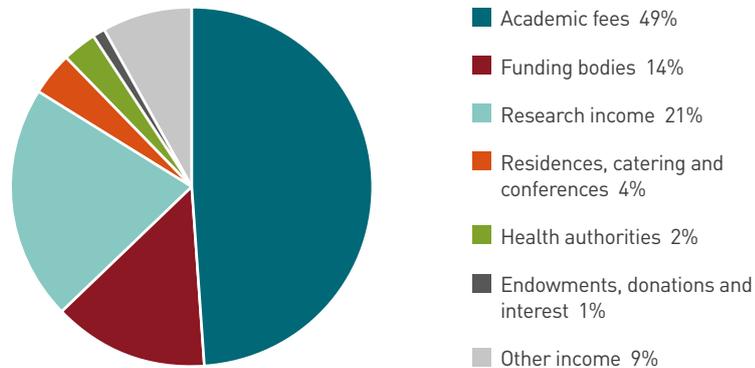
GOING CONCERN

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 the achievement of 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 reviews of the University's strategic risk register by Audit, Risk and Assurance Committee

INCOME

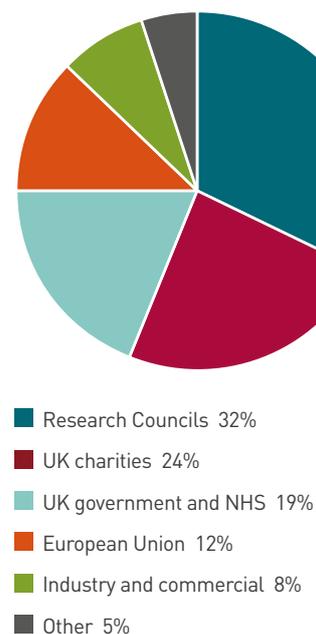
Total income in 2017–18 was £511.1m, an increase of 5% from £487.9m in 2016–17. Key income streams are summarised below.



Academic fees from full-time home and EU students grew by 9% from £143.7m to £157.0m, reflecting growth of 7% in undergraduate students and 6% in postgraduate students, together with the impact in the undergraduate tuition fee from £9,000 to £9,250 for new students and an increase in postgraduate taught fees. The growth in undergraduate numbers was due to the transfer of the School of Medicine, Pharmacy and Health from Durham in August 2017 and continued strong demand in many of our humanities and social science subjects. The growth in postgraduate students reflects continued popularity of our courses following the introduction of postgraduate student loans. Perhaps contrary to initial expectations, EU student numbers remain buoyant. Income from full-time non-EU students taught in the UK increased by 7% from £65.3m to £70.0m, reflecting a 1% increase in student numbers and fee increases. Fee income at our overseas campuses fell by 12% from £19.2m to £16.9m, reflecting the pattern of provision in Singapore following implementation of the new agreement with the Singapore Institute of Technology.

Funding body grants increased by 1% from £69.1m to £70.0m. Most of the increase was due to the HEFCE (now Office for Students (OfS)) National Collaborative Outreach Programme. Funding body grants, as a percentage of income, declined from 14.2% in 2016–17 to 13.7% in 2017–18 and are expected to reduce to 12.8% in 2018–19.

Our research income increased by 2% from £107.6m in 2016–17 to £109.4m in 2017–18. Key research income streams are illustrated below.



Research Councils income increased from £31.6m to £35.3m; EU government income from £12.6m to £13.0m and UK charities income from £26.2m to £26.3m. Income from UK government and health authorities on the other hand, decreased from £22.4m to £21.0m.

Whilst income increased slightly, research awards, which usually straddle more than one financial year, decreased from £127.6m in 2016–17 to £118.5m in 2017–18 with mixed results across our major funders. Some of this variation is a consequence of a small number of very large awards. Award value from Research Councils decreased from £45.6m to £34.8m and from UK government and health authorities from £41.4m to £21.1m. On the other hand, award value from UK charities increased from £26.2m to £30.6m and EU government from £12.3m to £17.2m.

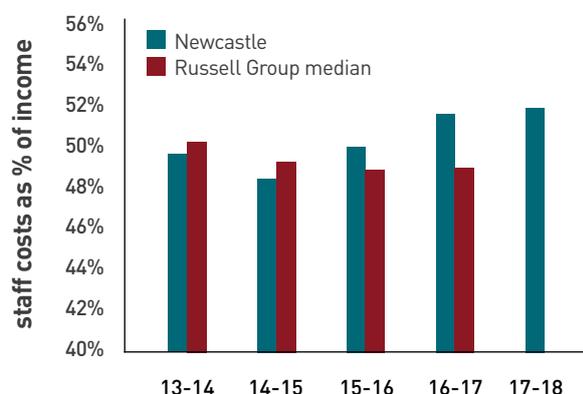
Other operating income grew by 11% from £66.3m to £73.7m. Much of this was due to the receipt of capital grants for the National Innovation Centre building at Newcastle Helix.

EXPENDITURE

Total expenditure in 2017–18 was £499.5m, 6% higher than 2016–17. Expenditure in both years was inflated by FRS 102 pension adjustments with the underlying costs increasing by 6% from £463.2m to £493.0m. Key expenditure streams are summarised below.

Underlying staff costs increased by 6% from £266.1m to £281.0m and represented 55% of income (2016–17: 54.5%), exactly in line with the University's long-term target of 55% of total income.

**Staff costs as a percentage of income:
Target – circa 55% of income**



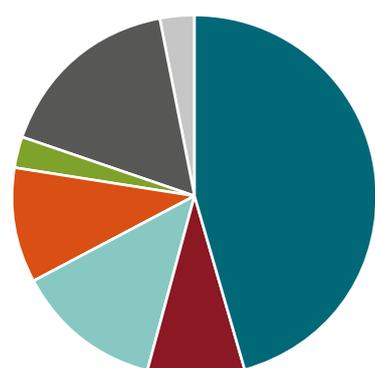
In summary reported staff costs comprise:

	2017–18 £m	2016–17 £m
Underlying costs	281.0	266.1
USS pension cost adjustment	(2.0)	(4.8)
Local scheme pension cost adjustment	6.1	7.6
Reported costs	285.1	268.9

Non-UK staff costs declined by 3% from £7.2m to £7.0m following restructuring in Singapore. UK costs grew by 6% from £258.9m to £274.0m, reflecting a growth of 3% in average staff numbers during the year, a 17% increase in non-clinical pay scales from 1 August 2017 (with higher increases for lower paid staff), costs of £1.3m for a voluntary severance programme made available to staff in two of our faculties during the year and the full year impact of the Apprenticeship Levy.

Other operating expenses increased by £10.0m (6%) from £173.7m to £183.7m. Most categories of expenditure saw small year-on-year increases with larger increases in the following areas:

- Direct costs incurred on research projects increased by £3.8m, mainly due to the UK Collaboratorium for Research on Infrastructure and Cities (UKCRIC) which aims to address the insufficient and unsustainable value extracted by services using national infrastructure.
- Student scholarships, bursaries and prizes increased by £1.3m (5%) from £24.8m to £26.1m reflecting the increased investment in the University's Access Agreement and increased support for postgraduate research students.
- Utility costs increased by £1.0m (13%) due to an unusually cold winter and continuing price increases for electricity and gas.



- Academic schools 42%
- Academic services 9%
- Administrative and central services 14%
- Premises 11%
- Residences, catering and conferences 3%
- Research grants and contracts 18%
- Other 3%

- Advertising and publicity costs increased by £0.6m (64%) reflecting increased activity on student recruitment during the year.
- The Students' Union subvention increased by £0.4m (21%) due to additional grants to utilise pay savings resulting from industrial action.

Depreciation increased by 28% from £19.1m to £24.3m, reflecting continued high levels of equipment expenditure as we continue to invest in our research capacity, notably through the Research Investment Fund, and completion of a number of major building projects, notably the new Urban Sciences Building.

Interest costs reduced by £0.8m from £7.1m to £6.3m due to lower finance lease costs and pensions finance cost adjustments.

OTHER ITEMS

Our share of the results of our joint ventures and associated companies was a deficit of £0.7m, compared to a deficit of £2.6m in 2016–17. The deficit was mainly due to our share of Newcastle Helix development and marketing costs which will be recouped from land sales in future years. INTO Newcastle LLP had a much better year with a 14% growth in student volumes. Newcastle University London continues to grow with a significant year-on-year reduction in losses.

The gain on investments in our endowments funds was £5.9m (2016–17: £11.0m). This reflected continued strong performance in global stock markets.

The taxation charge was £0.1m (2016–17: £0.9m). The reduction reflects the start-up losses incurred by NewRIIS, our new research facility in Singapore.

PENSIONS

As the USS is a multi-employer scheme with no basis to accurately identify Newcastle University's 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 reduced by £1.1m during the year from £45.0m to £43.9m, as we continued to fund the deficit recovery plan from the 2014 valuation.

No provision has been included in the financial results for the impact of the triennial valuation of the USS as at 31 March 2017 as the valuation has not been completed. However, current indications are that it will result in a significant increase in both the deficit and the cost of future accrual. USS has launched a statutory consultation to increase employee contributions from 8.0% to 11.7% and employer contributions from 18.0% to 24.9% in three stages between April 2018 and April 2019. A Joint Expert Panel was set up by Universities UK (UUK) and the University and College Union (UCU) to review the basis for the valuation. This panel reported in September 2018 and this will inform discussions between UUK and UCU which will follow in the next few months.

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. However, without changes to the benefit structure, the costs of future accrual will need to increase by 4% of pensionable salary from April 2019. The University will consider whether it wishes to propose changes to RBP benefits when there is a clearer view

of the future direction of the USS. As required by FRS 102, staff costs were increased by £6.1m in 2017–18 (2016–17: £7.6m), net interest costs were increased by £1.5m (2016–17: £2.0m) and an actuarial gain of £20.3m (2016–17: £34.7m) was recognised to reflect the FRS 102 valuation of the scheme. The actuarial gain reflects an increase in the discount rate from 2.6% to 2.75%.

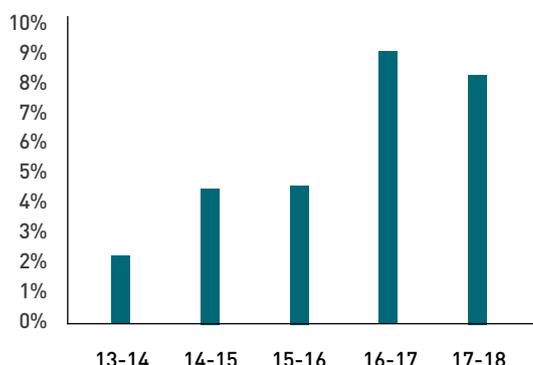
BALANCE SHEET

Capital additions in 2017–18 were £94.5m (2016–17: £117.3m) reflecting continued development of the University's estate and research capability. Equipment expenditure was £11.1m, a small reduction on the £12.4m investment in 2016–17. This was largely driven by the University's Research Investment Fund and expenditure on the UKCRIC project. Land and buildings expenditure was £83.4m including the Learning and Teaching Centre and the National Innovation Centre at Newcastle Helix and the redevelopment of the Richardson Road student residences.

There were £85.6m of contracted capital commitments at 31 July 2018 (2017: £59.3m) including an extension to the Sports Centre, the new Learning and Teaching Centre at Newcastle Helix and the National Innovation Centre at Newcastle Helix. Authorised, but not yet contracted projects totalled £120.4m (2017: £125.0m) including a new learning hub adjacent to the Faculty of Medical Sciences (£37.5m) and a major refurbishment of the Claremont and Daysh buildings (£60.5m).

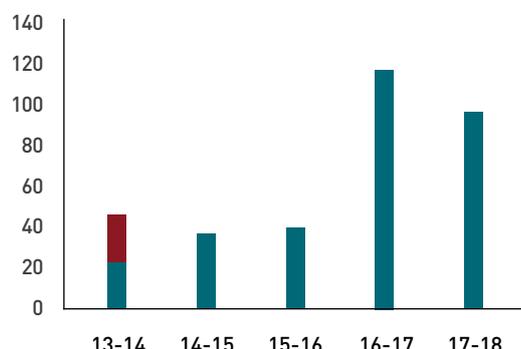
As expected, gross cash balances, including short-term liquid deposits, declined by £51.4m from £226.3m to £174.9m. Net cash balances, which exclude the impact of borrowing activity and leases, reduced from £102.2m to £49.3m.

**Infrastructure investment:
Target – >3% of insurance replacement value**



Capital expenditure (£m):

Malaysian campus finance lease shown in red



TREASURY

At 31 July 2018, the University had £109.2m short-term liquid deposits (2017: £138.1m). 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 for the University, 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 2018, we had £80.6m of endowments (2017: £75.2m). We seek to invest 80% of our endowment funds in equities and 20% in other asset classes. During 2017-18, we used Majedie, Baillie Gifford, Royal London Asset Management (all active managers) and Black Rock (passive manager) to manage our investments. We receive monthly performance reports from all our managers and Finance Committee meets formally with our active managers once a year to review progress. We have decided to replace Black Rock with ethical

alternative asset funds managed by Royal London, M&G and Aviva and funds will be transferred by December 2018. Our ethical investment policy provides a mechanism whereby students or staff 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 give priority to investment managers who preferentially invest in progressive companies that are working towards low carbon solutions.

OUTLOOK

We expect continued strong financial performance in 2018-19. Current indications are that 2018 student recruitment will be broadly on target.

In the medium term, we are concerned about the impact of Brexit and the continued volatility in international student recruitment. In the shorter term we, along with most of the sector, need to address the demographic dip in 18 year olds. Work continues to understand and mitigate all these threats.

Both our main pension schemes give cause for concern and we can foresee very difficult discussions on the continued sustainability of the USS as the Trustees, along with employer and employee representatives, decide how to react to the March 2017 actuarial valuation. In the longer term, there is a significant possibility of major changes

to the fees and funding regime for UK students which may be a challenge to the University's financial sustainability.

Despite the challenges, we believe the next few years also present us with significant opportunity. The University's new Vision and Strategy has been agreed and was formally launched on 1 October 2018. We have well developed plans for the future to invest in academic staff, student experience, research and IT infrastructure and new buildings. Opportunities to grow activity in social sciences and medical sciences are limited by estates constraints but building projects are under way 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 staff 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

CORPORATE GOVERNANCE STATEMENT

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

In addition, 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 external website at www.ncl.ac.uk/foi/publication-scheme/policies

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

The Corporate Governance Statement (pages 54–60) 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

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 seven times during 2017–18, 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 page 58.

Council undertakes annual reviews of its effectiveness using guidance given in *The Higher Education Code of Governance* published by the Committee of University Chairs in December 2014. The University complies with all seven primary elements in the code and the compulsory elements.

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 2017–18 were:

Mr Paul Walker (Chair) ¹
 Professor Caroline Austin ²
 Mr Neil Braithwaite ¹
 Professor Paul Christensen ²
 Professor Nicola Curtin ²

Mr Mike Davison ¹
 Professor Chris Day ²
 Dr Jonathan Galloway ²
 Mr Jonathan Glass ¹
 Mrs Teresa Graham ¹
 Mr Stephen Lightley (Treasurer) ¹
 Ms Adrienne McFarland ¹
 Mr Jeff McIntosh ¹
 Dr Sara Maioli ²
 Ms Claire Morgan ¹
 Mrs Heidi Mottram (Vice-Chair) ¹
 Ms Dianne Nelmes ¹
 Sir Professor Mike Rawlins ¹
 Mr Ronnie Reid ³
 Professor Julie Sanders ²
 Mr Rowan South ³
 Ms Vicky Wright ¹

¹ Lay member

² Employee of the University

³ Student representative

Council met eight times during 2017–18, including a joint meeting with Senate and an extraordinary meeting to discuss the USS pension dispute. Amongst other matters and, in consultation with Senate, Council agreed to:

- invest up to £60.5m in capital for the redevelopment of the Claremont-Daysh complex
- invest up to £5m at a site in Low Thornley as part of an energy research hub working in collaboration with major industry providers
- redevelop Marris House for £4.35m to improve residential provision to students
- purchase Great North House to provide decant and expansion space
- become a member of the Institute of Coding, a consortium of 17 universities to collaborate with industry on the development of innovative educational provision in computing
- become a partner in The Alan Turing Institute, the UK's national institute for data science headquartered in the British Library

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.

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.

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 Office for Students (OfS), Higher Education Statistics Agency (HESA) and other public bodies. Members during 2017–18 were:

Mr Jonathan Glass (Chair)
(lay member of Council)

Mr David Bird

Mr David Carroll

Mr Mike Davison
(lay member of Council)

Mrs Teresa Graham
(lay member of Council)

Ms Jacqui Henderson
(until April 2018)

Ms Angela Woodburn

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 2017–18 were:

Mr Stephen Lightley (Chair)

Mr Neil Braithwaite

Professor Chris Day

Mr Jeff McIntosh

Professor Julie Sanders

Mr 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 2017–18 were:

Mr Paul Walker (Chair)

Professor Chris Day

Ms Claire Morgan

Mrs Heidi Mottram

Ms Dianne Nelmes

Ms Fiona O'Connor

Professor Julie Sanders

Mr 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 2017–18.

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 61–64.

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 University's business plan, assesses the risks related to the delivery of the plan, and ensures that appropriate measures are in place to assure the financial sustainability of the University's activities. Executive Board reports on these matters regularly to Council. Through the monitoring undertaken by its Financial Monitoring and Budget Scrutiny Group and Budget Setting Group, Executive Board is also responsible for the use of resources and financial performance of all budgetary units. It has particular responsibility for value for money.

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 2017–18 were:

Professor Chris Day
(Vice-Chancellor and President)

Professor Julie Sanders
(Pro-Vice-Chancellor – Humanities and Social Sciences until 31 March 2018; Deputy Vice-Chancellor with effect from 1 April 2018)

Professor Helen Berry
(Acting Pro-Vice-Chancellor – Humanities and Social Sciences with effect from 1 April 2018)

Professor David Burn
(Pro-Vice-Chancellor – Medical Sciences)

Professor Suzanne Cholerton
(Pro-Vice-Chancellor – Education)

Professor Richard Davies
(Pro-Vice-Chancellor – Engagement and Internationalisation)

Professor Brian Walker
(Pro-Vice-Chancellor – Research Strategy and Resources)

Professor Philip Wright
(Pro-Vice-Chancellor – Science, Agriculture and Engineering)

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

Dr John Hogan
(Registrar)

Mr Richard Dale
(Executive Director of Finance)

Ms Abi Kelly
(Executive Director of Corporate Affairs)

Mrs Judith Whitaker
(Executive Director of Human Resources)

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 higher education 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

Council approved a revised Strategic Health and Safety Plan for the next five years. We have also revised our Health and Safety Management System. This system is now more effective in ensuring that standards and guidance are implemented and monitored. To support this, the team has developed a number of new standards and guidance to further assist staff and students in their working activities.

2017–18 saw a small increase in the total accident rates for staff and students. This may have been due to communication campaigns to further raise employee awareness. The RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accident rate for students decreased in the year.

We appointed a new Assistant Director of Human Resources (Health and Safety) during the year. Our Occupational Health and Safety team has a revised focus on health and wellbeing. A University strategy which brings together the aims and objectives for both staff and students is currently undergoing consultation. Our strategy identifies a new structure for health and wellbeing including the use of a sub-committee of University Health and Safety committee and a calendar of events.

Sickness absence rates decreased slightly from 2.3% in 2016–17 to 2.2% for 2017–18. The rate for operational staff sickness decreased to 6.5% from 7.6% in 2016–17. The development of a Health and Wellbeing Strategy and further provision of support such as an Employee Assistance Programme will further assist the management of sickness absence.

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 employees who are trade union representatives. The following information relates to the 12 months ended 31 March 2018.

35 employees acted as trade union representatives during that period. All spent between 1% and 50% of their working hours on facility time. This totalled 2,135 hours and a total cost of £46,339 (0.02% of the total staff costs of the University). 1,188 hours were spent on paid trade union activities (55.64% of total facility time).

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 previously, 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 2018 and up to the date of the approval of the financial statements. 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 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 and endorsed by Council. 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 2017–18 concluded that the University's arrangements for risk management, internal control, corporate governance and value for money are generally adequate and effective. We did not notify any incidents to HEFCE or OfS during the financial year or after the year end but before the financial statements were signed which 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 2018

This Remuneration Report (pages 61-64) 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 2017-18 financial year issued by the Office for Students (OfS). 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 staff. We intend to follow this guidance and Council has changed the terms of reference of the Remuneration Committee accordingly.

This year the University filed its first statutory Gender Pay Gap report and continued to review policies and practices to ensure that all employees are not subjected to conscious or unconscious gender bias in pay determination. In 2017-18 the Executive Board provided additional budget for a thorough review of professorial pay to ensure legacy gender equality issues were appropriately addressed. The Remuneration Committee will continue to seek assurance that there is no gender bias in respect of the pay of those higher paid employees 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:

Ms Vicky Wright,
lay member of Council (Chair)

Mr Paul Walker,
Chair of Council and Pro-Chancellor

Mr Stephen Lightley,
Treasurer

Ms Adrienne McFarland,
lay member of Council

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 Human Resources are also normally present. None of

the senior post-holders, including the Vice-Chancellor and President, are present at discussions about their own remuneration. During 2017-18, the Committee received information and advice from Korn Ferry and the University's own reward and equality specialists. The Committee's Terms of Reference were revised during the year and the current Terms of Reference are available on the University's website.

REMUNERATION POLICY FOR SENIOR STAFF

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 staff
- internal pay relativities

The Committee recognises the need for greater transparency of the approach to determining senior pay. During 2018-19 the Committee will review and publish a revised Executive Board remuneration policy, setting out, in more detail, the principles under which Executive Board pay decisions are made.

The Committee makes use of a number of reliable information sources to help guide decisions on Executive Board pay 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

The Committee also receives internal University reports on matters such as:

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

	Staff Costs <i>Excluding pension adjustments</i>	Total Income	Staff Costs as % of Income
	£m	£m	
2015-16	249.5	476.2	52.4%
2016-17	266.1	487.9	54.5%
2017-18	281.0	511.1	55.0%

OVERALL PAY COSTS

The table above shows the growth in total staff costs over the past three years. The University aims to keep this at broadly 55% of income in the coming year.

GENDER PAY GAP

In March 2018, the University submitted its first Gender Pay Gap report. This showed a mean gender pay gap of 20.4% for basic pay and 49% for bonus pay.

The majority of staff do not receive bonus payments. Bonus pay figures are inflated by the inclusion of clinical excellence awards, which are paid by the NHS and not within the control of the University. Remuneration Committee and Council will be monitoring progress towards reducing gender pay gaps and a range of work is already under way to support a sustainable reduction in gender pay gaps in the future. This includes:

- A Pay Equality task and finish group has been established to investigate the issues linked to pay equality in our University and to recommend actions to the University Executive Board.
- A major review of our Academic Promotions Process is taking place in 2018, providing an excellent opportunity to address any inappropriate barriers to progression.

- Over recent years we have tackled the issue of fair pay at our lower pay grades, including a local 'top-up' deal for some of our lowest paid roles, which mainly affects women on part-time contracts.
- In 2017, the University introduced a new Returners Programme, aimed at providing extra support for those returning to work after a long period of absence, such as Maternity or Carer's Leave. We also revised and relaunched our suite of family-friendly and flexible working policies.
- Support and development for women is also a key part of our strategy at Newcastle. This includes a range of programmes including the Leadership Foundation's flagship Aurora programme and a Senior Support Staff Development Programme.
- Developing our decision makers to be more aware of the impact of unconscious bias has also been a priority and further training and development will take place during 2018-19.

AUDITED INFORMATION

Basic Salary Band	Non-clinical	Clinical	2017-18 Total	2016-17 Total
£100,001 - £105,000	13	7	20	20
£105,001 - £110,000	6	6	12	11
£110,001 - £115,000	5	1	6	6
£115,001 - £120,000	3	6	9	10
£120,001 - £125,000	5	6	11	7
£125,001 - £130,000	3	2	5	6
£130,001 - £135,000	3	3	6	9
£135,001 - £140,000	5	1	6	3
£140,001 - £145,000	2	-	2	-
£145,001 - £150,000	1	-	1	-
£150,001 - £155,000	1	-	1	2
£160,001 - £165,000	1	-	1	-
£165,001 - £170,000	1	-	1	-
£170,001 - £175,000	1	-	1	1
	50	32	82	75

HIGHER PAID EMPLOYEES

The number of staff 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

Remuneration Committee determined the initial remuneration of the Vice-Chancellor and President on the

basis of a range of relevant factors, including the scale and complexity of the responsibilities of leading a £500m institution operating internationally in a highly competitive market and the exceptional level of knowledge, experience and ability demonstrated by Professor Day and tested against a field of outstanding external candidates at the time of his appointment.

His remuneration is reviewed annually by Remuneration Committee, following

a review of personal and institutional performance undertaken by the Chair of Council. Professor Day's salary was increased by 17% from 1 August 2017 (the standard national pay uplift received by all University staff). From 1 January 2018, Professor Day ceased membership of the USS, receiving instead an allowance equivalent to the employer's contribution (subject to the normal deductions of tax and NI).

	2017-18		2016-17	
	Prof C Day	Prof C Day	Prof C Brink	Total
	£'000	£'000	£'000	£'000
Salary	340.1	186.0	113.1	299.1
Benefits in kind	-	-	4.7	4.7
Pension contributions	37.5	46.4	29.2	75.6
Sub-total	377.6	232.4	147.0	379.4
USS salary sacrifice	(10.4)	(14.3)	(9.0)	(23.3)
Total	367.2	218.1	138.0	356.1



Professor Chris Brink retired on 31 December 2016 and was replaced by Professor Chris Day. The remuneration for 2016-17 therefore includes five months' earnings for Professor Brink and seven months' earnings for Professor Day.

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

The Vice-Chancellor and President's total remuneration is 9.8 times the median total remuneration of staff, where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the University of its staff.

The two ratios above include all staff on regular contracts and all staff on atypical contracts of employment. It excludes agency staff where we do not have sufficiently detailed records to include in the calculation. The University's expenditure on agency staff is *circa* 0.3% of total staff costs so we do not believe this exclusion materially distorts the ratios.

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. Staff 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 2018, Executive Board consisted of 12 full-time members of staff (2017: 12) including the Vice-Chancellor and President. See table below.

SEVERANCE PAYMENTS

We pay due regard to the *Guidance on decisions taken about severance payments in HEIs* published by the Council of University Chairs (CUC). We paid £2.4m to 163 employees in compensation for loss of office in 2017-18 (2016-17: £0.7m to 123 employees). Many of these payments related to employees on fixed term contracts of more than two years reaching the end of their assignments, although in 2017-18, £1.3m related to payments under a voluntary severance scheme.

	2018	2017
	£m	£m
Key management personnel compensation: Salary and benefits (including employer's pension contributions)	2.3	2.1

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 2018 which comprise the Consolidated and University Statement of Comprehensive Income, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheet, Consolidated Cash Flow Statement and the related Notes 1 to 29, 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

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 2018, and of the Group's and parent institution's income and expenditure, gains and losses, changes in reserves and 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 University Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the University 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, other than the financial statements and our auditor's report thereon. The University 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 59, 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 University 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 University 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 University 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

Notes:

1. The maintenance and integrity of the Newcastle University web site is the responsibility of the University 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 web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 at <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 University 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 University 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 University Council as a body, for our audit work, for this report, or for the opinions we have formed.

**Ernst & Young LLP
Newcastle upon Tyne
18 October 2018**

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard 102 (FRS 102). The financial statements are prepared under the historical cost convention (modified by the revaluation of endowment asset investments). They conform to the guidance published by the Higher Education Funding Council for England.

2. BASIS OF CONSOLIDATION

The consolidated financial statements consolidate the results of the University and all subsidiary undertakings for the financial year to 31 July 2018. Intra-group transactions are eliminated on consolidation.

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.

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

Associated undertakings are those in which the University has a participating interest and a significant influence over their commercial and financial policy decisions.

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

The 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.

3. 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.

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.

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 recurrent grants, 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 and 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 fixed 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

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.

4. 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. With effect from 1 October 2016, USS changed from a defined benefit only scheme to 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 for which it is not possible to identify the assets and liabilities to University members due to the mutual nature of the scheme. Therefore, as required by Section 28 of FRS 102 'Employee benefits', this 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.

A liability is recorded within provisions for the contractual commitment to fund past deficits within the USS scheme.

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.

5. 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.

6. MAINTENANCE OF PREMISES

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

7. 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.

8. 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.

9. 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 in surplus or deficit.

Group

The assets and liabilities of foreign subsidiary undertakings are translated 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 in surplus or deficit.

10. FIXED ASSETS

Fixed assets 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.

Land and buildings

Land and buildings are stated at cost/deemed cost. 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

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.

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

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 beyond their previously assessed standard of performance.

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.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

11. HERITAGE ASSETS

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

12. INTANGIBLE ASSETS

Intangible assets are amortised over five years representing the remaining estimated economic life of the assets. They are subject to periodic impairment reviews as appropriate.

13. 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.

14. STOCK

Stock is held at the lower of cost and net realisable value and is measured using an average cost formula.

15. CASH, CASH EQUIVALENTS AND SHORT-TERM LIQUID DEPOSITS

Cash includes cash in hand net of overdrafts and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Term deposits are deemed to be cash equivalents if they have a maturity of three months or less from the date of placement.

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

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

16. 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; and
- 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.

17. 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 Statement of Comprehensive Income.

18. TAXATION

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.

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 balance sheet date.

19. 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.

20. 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.

21. SIGNIFICANT ESTIMATES AND JUDGEMENTS

In the process of applying these accounting policies, the University is required to make certain estimates and judgements that management believe are reasonable based on the information available. Significant estimates and judgements used in the preparation of the financial statements are as follows:

USS pension scheme

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in the Statement of Comprehensive Income. Council is satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the

financial statements. This funding plan was agreed after the 2014 actuarial valuation and requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 13 years remain.

The University has used the deficit modeller provided by the British Universities Finance Directors 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 CPI plus 1% for the five-year forecast period with an annual 3% increase after that period
- discount rate 2.2% based on guidance produced for BUFDG by Mercer Limited

The 2017 actuarial valuation of USS has been undertaken, but this has not yet been formerly completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges. In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation. However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the

following sensitivity analysis outlines the potential impact on the existing liability of £43.9m (assuming the same discount rate of 2.2%):

Contribution rate	Duration		
	13 years	17 years	20 years
2.1%	£43.9m	£58.8m	£70.3m
3.1%	£64.8m	£86.8m	£103.7m
6.0%	£125.5m	£168.0m	£200.7m

RBP pension scheme

The calculation of the plan's liabilities involves projecting future cash flows many years into the future. This means that the economic and demographic assumptions used can have a material impact on the balance sheet provision and Other Comprehensive Income. For example, members could live longer than foreseen or inflation could be higher or lower than allowed for in the calculation. The assumptions used by the actuary are included in Note 28 to the accounts.

Impairments

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

Fixed assets

Depreciation is calculated on a straight-line basis over the estimated useful economic lives of the related assets.

Holiday pay

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

Consolidated and University Statement of Comprehensive Income

for the year ended 31 July 2018

	Note	CONSOLIDATED		UNIVERSITY	
		2018	2017	2018	2017
INCOME		£m	£m	£m	£m
Tuition fees and education contracts	1	252.4	236.0	235.5	216.8
Funding body grants	2	70.0	69.1	70.0	69.1
Research grants and contracts	3	109.4	107.6	109.4	107.6
Other income	4	73.7	66.3	75.1	68.4
Investment income	5	2.5	3.7	2.6	3.6
Donations and endowments	6	3.1	5.2	3.1	5.2
Total income		<u>511.1</u>	<u>487.9</u>	<u>495.7</u>	<u>470.7</u>
EXPENDITURE					
Staff costs	7	285.1	268.9	278.1	261.7
Other operating expenses	8	183.7	173.7	177.6	172.5
Depreciation	12	24.3	19.1	23.2	18.0
Amortisation	13	0.1	0.1	0.1	0.1
Interest and other finance costs	9	6.3	7.1	4.3	4.8
Total expenditure	10	<u>499.5</u>	<u>468.9</u>	<u>483.3</u>	<u>457.1</u>
Surplus before other gains and share of operating deficit of joint ventures and associate		11.6	19.0	12.4	13.6
Gain on disposal of fixed assets		1.4	0.5	1.4	0.5
Gain on revaluation of fixed asset investment		0.3	–	0.3	–
Gain on investments	21	5.9	11.0	5.9	11.0
Share of operating deficit in joint ventures	15	(0.5)	(2.5)	–	–
Share of operating deficit in associate	16	(0.2)	(0.1)	–	–
Surplus before tax		<u>18.5</u>	<u>27.9</u>	<u>20.0</u>	<u>25.1</u>
Taxation	11	(0.1)	(0.9)	(0.1)	(0.1)
Surplus for the year		<u>18.4</u>	<u>27.0</u>	<u>19.9</u>	<u>25.0</u>
Actuarial gain in respect of pension scheme	28	20.3	34.7	20.3	34.7
Total comprehensive income for the year		<u>38.7</u>	<u>61.7</u>	<u>40.2</u>	<u>59.7</u>
Represented by:					
Endowment comprehensive income for the year	21	5.4	11.8	5.4	11.8
Restricted comprehensive income for the year	22	(0.4)	(2.7)	(0.4)	(2.7)
Unrestricted comprehensive income for the year		33.7	52.6	35.2	50.6
Attributable to the University		<u>38.7</u>	<u>61.7</u>	<u>40.2</u>	<u>59.7</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 2018

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 2016	63.4	3.7	295.1	362.2	0.1	362.3
Surplus from the income statement	15.3	9.9	1.8	27.0	–	27.0
Other comprehensive income	–	–	34.7	34.7	–	34.7
Release of restricted funds spent	(3.5)	(12.6)	16.1	–	–	–
Total comprehensive income for the year	11.8	(2.7)	52.6	61.7	–	61.7
Balance at 1 August 2017	75.2	1.0	347.7	423.9	0.1	424.0
Surplus from the income statement	8.0	13.7	(3.3)	18.4	–	18.4
Other comprehensive income	–	–	20.3	20.3	–	20.3
Release of restricted funds spent	(2.6)	(14.1)	16.7	–	–	–
Total comprehensive income for the year	5.4	(0.4)	33.7	38.7	–	38.7
Balance at 31 July 2018	80.6	0.6	381.4	462.6	0.1	462.7

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 2016	63.4	3.7	302.3	369.4	–	369.4
Surplus from the income statement	15.3	9.9	(0.2)	25.0	–	25.0
Other comprehensive income	–	–	34.7	34.7	–	34.7
Release of restricted funds spent	(3.5)	(12.6)	16.1	–	–	–
Total comprehensive income for the year	11.8	(2.7)	50.6	59.7	–	59.7
Balance at 1 August 2017	75.2	1.0	352.9	429.1	–	429.1
Surplus from the income statement	8.0	13.7	(1.8)	19.9	–	19.9
Other comprehensive income	–	–	20.3	20.3	–	20.3
Release of restricted funds spent	(2.6)	(14.1)	16.7	–	–	–
Total comprehensive income for the year	5.4	(0.4)	35.2	40.2	–	40.2
Balance at 31 July 2018	80.6	0.6	388.1	469.3	–	469.3

Consolidated and University Balance Sheet

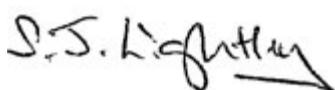
as at 31 July 2018

	Note	CONSOLIDATED		UNIVERSITY	
		2018 £m	2017 £m	2018 £m	2017 £m
NON-CURRENT ASSETS					
Fixed assets	12	499.9	429.8	481.1	409.2
Intangible assets	13	–	0.1	–	0.1
Investments	14	81.7	73.3	100.8	92.4
Investment in joint ventures	15	13.7	12.7	–	–
Investment in associate	16	0.5	0.1	–	–
		<u>595.8</u>	<u>516.0</u>	<u>581.9</u>	<u>501.7</u>
CURRENT ASSETS					
Stocks in hand		0.8	0.1	0.8	0.1
Trade and other receivables	17	49.3	56.8	52.5	56.1
Short-term liquid deposits		109.2	138.1	109.2	138.1
Cash and cash equivalents	23	65.7	88.2	53.1	81.5
		<u>225.0</u>	<u>283.2</u>	<u>215.6</u>	<u>275.8</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	18	(122.7)	(127.0)	(116.3)	(122.4)
NET CURRENT ASSETS					
		<u>102.3</u>	<u>156.2</u>	<u>99.3</u>	<u>153.4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		698.1	672.2	681.2	655.1
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	19	(140.9)	(139.9)	(117.4)	(117.7)
PENSION PROVISIONS					
	20	(94.5)	(108.3)	(94.5)	(108.3)
TOTAL NET ASSETS					
		<u>462.7</u>	<u>424.0</u>	<u>469.3</u>	<u>429.1</u>
RESTRICTED RESERVES					
Income and expenditure reserve – endowment reserve	21	73.7	68.7	73.7	68.7
Income and expenditure reserve – restricted reserve	22	0.6	1.0	0.6	1.0
UNRESTRICTED RESERVES					
Income and expenditure reserve – endowment reserve	21	6.9	6.5	6.9	6.5
Income and expenditure reserve – unrestricted reserve		<u>381.4</u>	<u>347.7</u>	<u>388.1</u>	<u>352.9</u>
		462.6	423.9	469.3	429.1
NON-CONTROLLING INTEREST					
		0.1	0.1	–	–
TOTAL RESERVES					
		<u>462.7</u>	<u>424.0</u>	<u>469.3</u>	<u>429.1</u>

The financial statements were approved by Council on 16 October 2018 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 2018

	Note	2018 £m	2017 £m
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		18.4	27.0
Adjustment for non-cash items			
Depreciation	12	24.3	19.1
Amortisation of intangibles	13	0.1	0.1
Gain on investments	21	(5.9)	(11.0)
(Increase) in stock		(0.7)	–
Decrease/(increase) in debtors		8.8	(5.0)
Increase in creditors		3.3	17.3
Increase in pension provision		6.5	5.7
Share of operating deficit in joint ventures	15	0.5	2.5
Share of operating deficit in associate	16	0.2	0.1
Adjustment for investing or financing activities			
Investment income	5	(2.5)	(3.7)
Interest payable		3.9	4.2
Endowment income	21	(0.9)	(2.8)
Profit on the sale of fixed assets		(1.4)	(0.5)
Gain on revaluation of fixed asset investment		(0.3)	–
Capital grant income		(14.2)	(9.7)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>40.1</u>	<u>43.3</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of fixed assets		2.5	1.1
Capital grants receipts		14.2	8.9
Withdrawal of deposits		26.2	15.9
Investment income		2.9	3.9
Profit distribution from joint venture		1.3	0.5
Payments made to acquire fixed assets		(103.7)	(108.1)
New non-current asset investments		(3.5)	–
New deposits		0.5	30.0
		<u>(59.6)</u>	<u>(47.8)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(1.9)	(1.9)
Interest element of finance lease		(2.0)	(1.7)
Endowment cash received	21	0.9	2.8
		<u>(3.0)</u>	<u>(0.8)</u>
DECREASE IN CASH AND CASH EQUIVALENTS IN THE YEAR		<u>(22.5)</u>	<u>(5.3)</u>
Cash and cash equivalents at beginning of the year	23	88.2	93.5
Cash and cash equivalents at end of the year	23	65.7	88.2

Notes to the Financial Statements

1 TUITION FEES AND EDUCATION CONTRACTS

	CONSOLIDATED		UNIVERSITY	
	2018	2017	2018	2017
	£m	£m	£m	£m
Full-time students	157.0	143.7	157.0	143.7
Full-time students charged overseas fees, UK taught	70.0	65.3	70.0	65.3
Full-time students charged overseas fees, overseas taught	16.9	19.2	–	–
Part-time fees	2.9	2.7	2.9	2.7
Research training support grants	3.0	2.8	3.0	2.8
Short courses	2.6	2.3	2.6	2.3
	<u>252.4</u>	<u>236.0</u>	<u>235.5</u>	<u>216.8</u>

2 FUNDING BODY GRANTS

	CONSOLIDATED AND UNIVERSITY	
	2018	2017
	£m	£m
Recurrent grant	57.9	58.8
Specific grants	6.0	4.0
Capital Investment Framework (CIF) grants	6.1	6.3
	<u>70.0</u>	<u>69.1</u>

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

3 RESEARCH GRANTS AND CONTRACTS

	CONSOLIDATED AND UNIVERSITY	
	2018	2017
	£m	£m
Research Councils	35.3	31.6
UK charities	26.3	26.2
UK government	21.0	22.4
European Commission	13.0	12.6
Other grants and contracts	13.8	14.8
	<u>109.4</u>	<u>107.6</u>

4 OTHER INCOME

	CONSOLIDATED		UNIVERSITY	
	2018	2017	2018	2017
	£m	£m	£m	£m
Residences, catering and conferences	20.8	20.6	20.8	20.6
Other services rendered	20.9	18.4	20.9	18.4
Health authorities	8.0	8.9	8.0	9.0
Other capital grants	5.7	2.4	5.7	2.4
Other income	18.3	16.0	17.5	15.1
Income from subsidiary companies	–	–	2.2	2.9
	<u>73.7</u>	<u>66.3</u>	<u>75.1</u>	<u>68.4</u>

5 INVESTMENT INCOME

	CONSOLIDATED		UNIVERSITY	
	2018	2017	2018	2017
	£m	£m	£m	£m
Investment income on endowments (Note 21)	1.2	1.5	1.2	1.5
Other investment income	1.3	2.2	1.4	2.1
	<u>2.5</u>	<u>3.7</u>	<u>2.6</u>	<u>3.6</u>

Notes to the Financial Statements (continued)

6 DONATIONS AND ENDOWMENTS

CONSOLIDATED AND UNIVERSITY

	2018	2017
	£m	£m
New endowments net of transfers out from expendable endowments (Note 21)	0.9	2.8
Donations with restrictions	2.2	2.4
	<u>3.1</u>	<u>5.2</u>

7 STAFF

CONSOLIDATED

UNIVERSITY

	2018	2017	2018	2017
	£m	£m	£m	£m
Staff Costs				
Salaries	212.7	201.8	205.9	194.7
Social security costs	21.5	20.5	21.3	20.4
Other pension costs	46.8	43.8	46.8	43.8
Total before pension adjustments	<u>281.0</u>	<u>266.1</u>	<u>274.0</u>	<u>258.9</u>
Movement on USS provision (Note 20)	(2.0)	(4.8)	(2.0)	(4.8)
RBP Pension service cost adjustment (Note 20)	6.1	7.6	6.1	7.6
	<u>285.1</u>	<u>268.9</u>	<u>278.1</u>	<u>261.7</u>

Further audited information and disclosures as required by the OfS Accounts direction are included in the Remuneration Report on pages 61–64.

Staff Numbers

	2018	2017
	Average FTEs	Average FTEs
Academic	1,627	1,527
Support	2,983	2,941
Research	1,049	1,049
	<u>5,659</u>	<u>5,517</u>

8 OTHER OPERATING EXPENSES

CONSOLIDATED

UNIVERSITY

	2018	2017	2018	2017
	£m	£m	£m	£m
Professional fees and bought in services	42.1	37.5	41.0	36.4
Staff-related expenditure	25.9	25.6	25.0	24.7
Student scholarships, bursaries and prizes	26.2	24.8	26.1	24.7
Consumables and laboratory expenditure	18.0	18.1	17.6	17.6
Non-capitalised equipment purchases and maintenance	19.7	20.6	18.6	19.6
Operating lease rentals – land and buildings	8.5	8.1	8.3	8.0
Rents, rates and insurance	3.9	5.0	3.1	3.3
Heat, light, water and power	9.9	8.9	9.4	8.5
Building maintenance	8.2	7.5	8.2	7.5
Books and periodicals	6.9	6.4	6.8	6.5
NHS and agency staff	4.4	4.9	4.4	4.8
Communications, advertising and publicity	2.9	2.3	2.3	1.9
Students' Union annual subvention	2.3	1.9	2.3	1.9
Other expenditure	4.8	2.1	4.5	7.1
	<u>183.7</u>	<u>173.7</u>	<u>177.6</u>	<u>172.5</u>

Professional fees and bought in services include auditor's remuneration in respect of audit services for the Group of £100,495 to Ernst & Young LLP (2017: £105,600) and for the University of £53,514 (2017: £55,070). In respect of non-audit services remuneration amounted to £37,200 (2017: £33,000) for the Group and University.

Notes to the Financial Statements (continued)

9 INTEREST AND OTHER FINANCE COSTS

	CONSOLIDATED		UNIVERSITY	
	2018	2017	2018	2017
	£m	£m	£m	£m
Loan interest	1.9	1.9	1.9	1.9
Finance lease interest	2.0	2.3	–	–
Net charge on pension schemes (Note 28)	2.4	2.9	2.4	2.9
	<u>6.3</u>	<u>7.1</u>	<u>4.3</u>	<u>4.8</u>

10 ANALYSIS OF 2017–18 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	159.5	44.8	4.7	–	209.0
Academic services	25.0	17.7	1.4	–	44.1
Administration and central services	25.2	44.4	0.1	–	69.7
Premises	9.8	30.4	14.1	2.0	56.3
Residences, catering and conferences	4.3	9.7	1.3	–	15.3
Research grants and contracts	51.1	40.5	–	–	91.6
Other expenditure	10.2	(3.8)	2.8	4.3	13.5
Total per Statement of Comprehensive Income	<u>285.1</u>	<u>183.7</u>	<u>24.4</u>	<u>6.3</u>	<u>499.5</u>

Administration and central services and research grants and contracts include £23.6m (2017: £22.2m) and £2.5m (2017: £2.6m) 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	152.5	40.0	4.4	–	196.9
Academic services	25.0	17.6	1.4	–	44.0
Administration and central services	25.2	44.3	0.1	–	69.6
Premises	9.8	29.3	13.3	–	52.4
Residences, catering and conferences	4.3	9.7	1.3	–	15.3
Research grants and contracts	51.1	40.5	–	–	91.6
Other expenditure	10.2	(3.8)	2.8	4.3	13.5
Total per Statement of Comprehensive Income	<u>278.1</u>	<u>177.6</u>	<u>23.3</u>	<u>4.3</u>	<u>483.3</u>

Administration and central services and research grants and contracts include £23.5m (2017: £22.2m) and £2.5m (2017: £2.6m) respectively in respect of payments made for bursaries, prizes, scholarships or other similar awards.

11 TAXATION

	CONSOLIDATED		UNIVERSITY	
	2018	2017	2018	2017
	£m	£m	£m	£m
Republic of Singapore corporation tax at 17%	–	0.4	–	–
Republic of Singapore withholding tax at 17%	0.1	0.1	0.1	0.1
Malaysian corporation tax at 24%	(0.2)	0.4	–	–
United Kingdom corporation tax at average rate of 19%	0.2	–	–	–
	<u>0.1</u>	<u>0.9</u>	<u>0.1</u>	<u>0.1</u>

Notes to the Financial Statements (continued)

12 FIXED ASSETS

	CONSOLIDATED					
	Land and Buildings			Assets under Construction	Equipment	Total
	Freehold	Leasehold				
£m	Long	Short	£m	£m	£m	
Cost						
Balance at 1 August 2017	286.2	151.0	22.2	104.6	94.5	658.5
Additions	2.3	4.2	–	76.9	11.1	94.5
Foreign exchange retranslation	–	0.8	–	–	–	0.8
Transfers from assets under construction	63.5	0.7	–	(64.2)	–	–
Disposals	(1.3)	–	–	–	(1.8)	(3.1)
Balance at 31 July 2018	<u>350.7</u>	<u>156.7</u>	<u>22.2</u>	<u>117.3</u>	<u>103.8</u>	<u>750.7</u>
Depreciation						
Balance at 1 August 2017	81.0	64.6	9.1	–	74.0	228.7
Charge for year	9.3	4.9	1.4	–	8.7	24.3
Foreign exchange retranslation	–	(0.2)	–	–	–	(0.2)
Eliminated on disposals	(0.3)	–	–	–	(1.7)	(2.0)
Balance at 31 July 2018	<u>90.0</u>	<u>69.3</u>	<u>10.5</u>	<u>–</u>	<u>81.0</u>	<u>250.8</u>
Net Book Value						
At 31 July 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 1 August 2017	<u>205.2</u>	<u>86.4</u>	<u>13.1</u>	<u>104.6</u>	<u>20.5</u>	<u>429.8</u>

At 31 July 2018, freehold land and buildings included £76.7m (2017: £76.2m) in respect of freehold land which is not depreciated.

The net book value of assets held under finance leases at 31 July 2018 is £19.5m (2017: £19.3m) and the related depreciation charge for the year was £0.8m (2017: £0.8m).

	UNIVERSITY					
	Land and Buildings			Assets under Construction	Equipment	Total
	Freehold	Leasehold				
£m	Long	Short	£m	£m	£m	
Cost						
Balance at 1 August 2017	286.1	128.5	20.8	104.6	93.1	633.1
Additions	2.3	4.2	–	78.9	10.8	96.2
Transfers from assets under construction	63.5	0.7	–	(64.2)	–	–
Disposals	(1.3)	–	–	–	(1.8)	(3.1)
Balance at 31 July 2018	<u>350.6</u>	<u>133.4</u>	<u>20.8</u>	<u>119.3</u>	<u>102.1</u>	<u>726.2</u>
Depreciation						
Balance at 1 August 2017	81.0	61.4	8.9	–	72.6	223.9
Charge for year	9.3	4.1	1.2	–	8.6	23.2
Eliminated on disposals	(0.3)	–	–	–	(1.7)	(2.0)
Balance at 31 July 2018	<u>90.0</u>	<u>65.5</u>	<u>10.1</u>	<u>–</u>	<u>79.5</u>	<u>245.1</u>
Net Book Value						
At 31 July 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>
At 1 August 2017	<u>205.1</u>	<u>67.1</u>	<u>11.9</u>	<u>104.6</u>	<u>20.5</u>	<u>409.2</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

	2018 £m	2017 £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	0.3	0.2
Charge for year	0.1	0.1
Balance at 31 July	<u>0.4</u>	<u>0.3</u>
Net Book Value	<u>–</u>	<u>0.1</u>

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

14 NON-CURRENT INVESTMENTS

CONSOLIDATED

UNIVERSITY

	2018 £m	2017 £m	2018 £m	2017 £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	0.1	0.1	0.1	15.5
Disposals Newcastle Science Central LLP	–	–	–	(15.4)
Other movements in year	0.3	–	0.3	–
At 31 July	<u>0.4</u>	<u>0.1</u>	<u>0.4</u>	<u>0.1</u>
Fixed interest stock and equities relating to endowments	81.3	73.2	81.3	73.2
Total fixed asset investments	<u>81.7</u>	<u>73.3</u>	<u>100.8</u>	<u>92.4</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.
University of Newcastle upon Tyne Supply Company 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 2018 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	
		2018 £m	2017 £m	2018 £m	2017 £m
CVCP Properties PLC	1.3	0.4	0.1	0.4	0.1

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 (2017: £122,000) was due from INTO Newcastle University LLP to the University.

Newcastle University INTO 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. Newcastle University INTO London LLP's principal activity is the provision of education and residential accommodation for students. At the year end an amount of £5,273,368 (2017: £4,128,467) was due from Newcastle University INTO 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 (2017: £5,397,759) and £784,434 (2017: £1,778,394) 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.

	2018 £m	2017 £m
Share of operating (deficit)/surplus:		
INTO Newcastle University LLP	1.9	(0.1)
Newcastle University INTO London LLP	(1.2)	(2.1)
Newcastle Science Central LLP	(0.6)	(0.3)
Newcastle Science Central Management LLP	(0.3)	–
Newcastle Science Central Developments LLP	(0.3)	–
	<u>(0.5)</u>	<u>(2.5)</u>
Share of gross assets:		
INTO Newcastle University LLP	10.5	10.6
Newcastle University INTO London LLP	3.4	1.9
Newcastle Science Central LLP	3.1	2.9
Newcastle Science Central Management LLP	14.9	12.6
Newcastle Science Central Developments LLP	0.3	–
	<u>32.2</u>	<u>28.0</u>
Share of gross liabilities:		
INTO Newcastle University LLP	(9.7)	(10.4)
Newcastle University INTO London LLP	(5.9)	(3.2)
Newcastle Science Central LLP	(2.3)	(1.7)
Newcastle Science Central Management LLP	(0.3)	–
Newcastle Science Central Developments LLP	(0.3)	–
	<u>(18.5)</u>	<u>(15.3)</u>
Share of net assets/(liabilities):		
INTO Newcastle University LLP	0.8	0.2
Newcastle University INTO London LLP	(2.5)	(1.3)
Newcastle Science Central LLP	0.8	1.2
Newcastle Science Central Management LLP	14.6	12.6
Newcastle Science Central Developments LLP	–	–
	<u>13.7</u>	<u>12.7</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 (2017: £500,000) was due from Tyne Subsea Limited to the University.

	2018 £m	2017 £m
Share of operating deficit	(0.2)	(0.1)
Share of gross assets	2.4	1.8
Share of gross liabilities	(1.9)	(1.7)
Share of net assets	0.5	0.1

17 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		UNIVERSITY	
	2018 £m	2017 £m	2018 £m	2017 £m
Research grants receivables	16.4	15.3	16.4	15.3
Other trade receivables	20.3	20.5	19.0	20.2
Amounts owed by subsidiary undertakings	–	–	7.6	3.8
Prepayments and accrued income	10.9	14.5	8.5	10.9
Other debtors	1.7	6.5	1.0	5.9
	<u>49.3</u>	<u>56.8</u>	<u>52.5</u>	<u>56.1</u>

Contained within consolidated other debtors is an amount of £500,000 (2017: £500,000) due from Tyne Subsea Limited which is repayable after more than one year.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED		UNIVERSITY	
	2018 £m	2017 £m	2018 £m	2017 £m
Obligations under finance leases (Note 26)	2.1	1.9	–	–
Research collaborator creditors	15.0	17.2	15.0	17.2
Other creditors	10.6	5.5	10.6	5.5
Amounts owed to subsidiary undertakings	–	–	–	9.2
Social security and other taxation payable	9.0	7.5	8.6	7.4
Accruals and deferred income	86.0	94.9	82.1	83.1
	<u>122.7</u>	<u>127.0</u>	<u>116.3</u>	<u>122.4</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	
	2018 £m	2017 £m	2018 £m	2017 £m
Research grants received on account	37.2	36.1	37.2	36.1
Tuition fees and education contracts	2.4	1.5	2.4	1.3
Funding body grants	1.7	1.8	1.7	1.8
Other income	6.3	9.3	6.3	9.3
Donations	–	0.1	–	0.1
	<u>47.6</u>	<u>48.8</u>	<u>47.6</u>	<u>48.6</u>

Notes to the Financial Statements (continued)

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	CONSOLIDATED		UNIVERSITY	
	2018 £m	2017 £m	2018 £m	2017 £m
Fixed-term, unsecured loans repayable by 2046	100.0	100.0	100.0	100.0
Accruals and deferred income	17.4	17.7	17.4	17.7
Obligations under finance leases (Note 26)	23.5	22.2	–	–
	<u>140.9</u>	<u>139.9</u>	<u>117.4</u>	<u>117.7</u>

	Effective Interest Rate %	CONSOLIDATED AND UNIVERSITY	
		2018 £m	2017 £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>8.0</u>	<u>4.0</u>
Infrastructure and refurbishment loan due after more than five years	1.87	<u>92.0</u>	<u>96.0</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 2017	45.0	63.3	108.3
(Decrease)/increase in staff costs	(2.0)	6.1	4.1
Pension finance interest charge	0.9	1.5	2.4
Actuarial gain	–	(20.3)	(20.3)
At 31 July 2018 (Note 28)	<u>43.9</u>	<u>50.6</u>	<u>94.5</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 for total payments relating to benefits arising from past performance.

Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

Notes to the Financial Statements (continued)

21 ENDOWMENT RESERVES

CONSOLIDATED AND UNIVERSITY

	Unrestricted Permanent £m	Restricted Permanent £m	Total Permanent £m	Restricted Expendable £m	2018 Total £m	2017 Total £m
At 1 August						
Capital	2.7	17.4	20.1	15.3	35.4	32.6
Unapplied return	3.8	26.1	29.9	9.9	39.8	30.8
	<u>6.5</u>	<u>43.5</u>	<u>50.0</u>	<u>25.2</u>	<u>75.2</u>	<u>63.4</u>
New endowments	–	0.1	0.1	1.5	1.6	2.8
Transfer out from expendable endowments	–	–	–	(0.7)	(0.7)	–
Increase in market value of investments	0.5	3.4	3.9	2.0	5.9	11.0
	<u>0.5</u>	<u>3.5</u>	<u>4.0</u>	<u>2.8</u>	<u>6.8</u>	<u>13.8</u>
Income	0.1	0.7	0.8	0.4	1.2	1.5
Expenditure	(0.2)	(1.6)	(1.8)	(0.8)	(2.6)	(3.5)
	<u>(0.1)</u>	<u>(0.9)</u>	<u>(1.0)</u>	<u>(0.4)</u>	<u>(1.4)</u>	<u>(2.0)</u>
At 31 July	<u>6.9</u>	<u>46.1</u>	<u>53.0</u>	<u>27.6</u>	<u>80.6</u>	<u>75.2</u>
Represented by:						
Capital	2.7	17.5	20.2	16.8	37.0	35.4
Unapplied return	4.2	28.6	32.8	10.8	43.6	39.8
	<u>6.9</u>	<u>46.1</u>	<u>53.0</u>	<u>27.6</u>	<u>80.6</u>	<u>75.2</u>
Analysis by type of purpose:						
Regional Chairs Benefaction	–	23.8	23.8	–	23.8	22.5
Chairs, fellowships, lectureships	–	6.7	6.7	2.4	9.1	8.6
Research support	–	1.1	1.1	5.5	6.6	6.1
Lectures	–	–	–	0.8	0.8	0.8
Scholarships and bursaries	–	8.9	8.9	14.4	23.3	20.9
Prizes and travel awards	–	2.9	2.9	2.0	4.9	4.9
General	6.9	2.7	9.6	2.5	12.1	11.4
	<u>6.9</u>	<u>46.1</u>	<u>53.0</u>	<u>27.6</u>	<u>80.6</u>	<u>75.2</u>

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

Analysis by asset

Fixed interest stock and equities	81.3	73.2
Bank balances	0.6	1.8
Other current balances	(1.3)	0.2
	<u>80.6</u>	<u>75.2</u>

Notes to the Financial Statements (continued)

22 RESTRICTED RESERVES

	Unspent HEFCE CIF and other capital grants £m	Grants and donations £m	2018 Total £m	2017 Total £m
Reserves with restrictions are as follows:				
Balances at 1 August 2017	0.4	0.6	1.0	3.7
New grants	11.4	–	11.4	7.5
New donations	0.4	1.9	2.3	2.4
Capital grants utilised	(12.2)	–	(12.2)	(11.1)
Expenditure	–	(1.9)	(1.9)	(1.5)
Total restricted comprehensive income for the year	(0.4)	–	(0.4)	(2.7)
At 31 July 2018	–	0.6	0.6	1.0

23 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		UNIVERSITY	
	2018 £m	2017 £m	2018 £m	2017 £m
Cash at bank and in hand	19.7	25.2	7.1	18.5
Endowment bank balances	0.6	1.8	0.6	1.8
Investments maturing less than three months after placement	45.4	61.2	45.4	61.2
	<u>65.7</u>	<u>88.2</u>	<u>53.1</u>	<u>81.5</u>

24 CAPITAL COMMITMENTS

	CONSOLIDATED AND UNIVERSITY	
	2018 £m	2017 £m
Commitments contracted at 31 July	<u>85.6</u>	<u>59.3</u>

25 CONTINGENT LIABILITIES

The University has eight nomination agreements relating to student accommodation. The expiry dates and nominated rooms are: 2018–19 257 beds; 2021–22 586 beds; 2028–29 90 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	
	2018 £m	2017 £m
Amounts due under finance leases:		
Amounts payable		
Within one year	2.1	1.9
In two to five years	8.6	8.1
In more than five years	50.4	49.8
	<u>61.1</u>	<u>59.8</u>
Less: finance charges allocated to future periods	(35.5)	(35.7)
	<u>25.6</u>	<u>24.1</u>
	2018	2017
	£m	£m
Annual rentals under operating lease commitments are as follows:		
Leases expiring		
In two to five years	2.1	2.1
Over five years	5.5	5.3
	<u>7.6</u>	<u>7.4</u>

Notes to the Financial Statements (continued)

27 ADJUSTED EBITDA

	CONSOLIDATED	
	2018	2017
	£m	£m
Surplus before tax	18.5	27.9
Gain on investments (Note 21)	(5.9)	(11.0)
Movement on USS provision (Note 20)	(2.0)	(4.8)
RBP Pension service cost adjustment (Note 20)	6.1	7.6
Interest and other finance costs (Note 9)	6.3	7.1
Depreciation (Note 12)	24.3	19.1
Amortisation (Note 13)	0.1	0.1
Adjusted EBITDA	<u>47.4</u>	<u>46.0</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 Scheme (NHSS), the total cost of which was £2.1m (2017: £2.1m). This includes £0.3m (2017: £0.3m) outstanding contributions at the balance sheet date.

The total pension cost for the University was:

	2018	2017
	£m	£m
Contributions to USS	38.1	35.2
Contributions to RBP	6.6	6.5
Contributions to NHSS	<u>2.1</u>	<u>2.1</u>
Other pensions cost (Note 7)	46.8	43.8
Movement on USS provision	(2.0)	(4.8)
RBP Pension service cost adjustment	<u>6.1</u>	<u>7.6</u>
Pensions costs included in staff costs	50.9	46.6
Pension finance interest (Note 9)	<u>2.4</u>	<u>2.9</u>
Pension cost including pension finance interest	53.3	49.5
Actuarial gain relating to the RBP scheme	<u>(20.3)</u>	<u>(34.7)</u>
Total pension cost	<u>33.0</u>	<u>14.8</u>

RBP

RBP is an Exempt Approved Scheme under the Finance Act 1970 and provides benefits based on final pensionable salary; it is established under irrevocable trusts and its assets are kept strictly separate from those of the University. It is a defined benefit scheme. The total pension cost (excluding interest) to the University was £12.7m (2017: £14.1m). The contribution payable by the University was 13.25% of pensionable salaries. There were no outstanding contributions at the balance sheet date.

The expected employer contribution to the plan during the next accounting year is £6.9m.

A full actuarial valuation was carried out as at 1 August 2016 and updated to 31 July 2018 by a qualified independent actuary.

The major assumptions used by the actuary were:

	31 July 2018	31 July 2017
Discount rate at year end	2.75%	2.60%
Future salary increases	3.60%	3.60%
RPI inflation	3.10%	3.10%
CPI inflation	2.00%	2.00%
Life expectancy of current pensioners (from age 65)	23.8	23.9
Life expectancy of future pensioners (from age 65)	25.0	25.1

Notes to the Financial Statements (continued)

28 PENSION ARRANGEMENTS (continued)

The assets in the scheme were:

	Value at 31 July 2018 £m	Asset Allocation %	Value at 31 July 2017 £m	Asset Allocation %
Equities	108.2	42	103.5	42
Bonds	77.5	26	66.0	26
Property	11.5	4	10.5	4
Absolute return fund	52.2	22	54.8	22
Cash	13.4	6	14.2	6
Fair value of assets	262.8		249.0	
Present value of obligations	(313.4)		(312.3)	
Funded status	(50.6)		(63.3)	
Net pension liability	<u>(50.6)</u>		<u>(63.3)</u>	

Analysis of the amount shown in the Balance Sheet

	2018 £m	2017 £m
Present value of obligations	313.4	312.3
Fair value of plan assets	262.8	249.0
Funded status	<u>(50.6)</u>	<u>(63.3)</u>

Analysis of the amount charged to operating surplus

	2018 £m	2017 £m
Operating cost		
Current service cost	11.7	12.5
Administration costs	1.0	1.6
Financing cost		
Interest on net defined benefit liability	1.5	2.0
Total operating charge	<u>14.2</u>	<u>16.1</u>

Amounts recognised in Other Comprehensive Income (OCI)

	2018 £m	2017 £m
Asset gains arising during the year	11.1	19.4
Liability gains arising during the year	9.2	15.3
Actuarial gain recognised in OCI	<u>20.3</u>	<u>34.7</u>

Notes to the Financial Statements (continued)

28 PENSION ARRANGEMENTS (continued)

Change in defined benefit obligation	2018 £m	2017 £m
Opening defined benefit obligation	312.3	315.5
Service cost	11.7	12.5
Interest cost	8.0	7.3
Actuarial gains	(9.2)	(15.3)
Contribution by members	0.4	0.3
Benefits paid	(9.8)	(8.0)
Closing defined benefit obligation	313.4	312.3
Change in fair value of plan assets	2018 £m	2017 £m
Opening fair value of plan assets	249.0	227.1
Gains on assets	11.1	19.4
Interest income on plan assets	6.5	5.3
Contributions by employer	6.6	6.5
Contributions by employees	0.4	0.3
Administration costs incurred	(1.0)	(1.6)
Benefits paid	(9.8)	(8.0)
Closing fair value of plan assets	262.8	249.0

A High Court case involving Lloyds Banking Group Pensions Trustees Limited and others could have a wider impact on occupational pension schemes in the UK including our local RBP scheme. The case relates to previous UK Guaranteed Minimum Pension arrangements with an argument that they discriminate between male and female pensioners. It is impossible to estimate the impact at this time and a judgement is expected before the end of 2018.

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 total pension contribution cost for the University was £38.1m (2017: £35.2m). There were £3.3m (2017: £3.2m) outstanding contributions at the balance sheet date. The contribution rate payable by the University was 18% (2017: 18%) of pensionable salaries. 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 using a discount rate of 2.2% (2017: 1.9%). The liability is £43.9m (2017: £45.0m).

The latest available triennial actuarial valuation of the defined benefits section of the scheme was at 31 March 2014 (the valuation date) which was carried out using the projected unit method. The valuation as at 31 March 2017 is under way but not yet completed.

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 2014 valuation was the third 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 £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 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. These figures will be revised once the 2017 scheme valuation is complete.

Defined benefit liability numbers for the scheme for accounting purposes have been produced using the following assumptions at 31 March.

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on update 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 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:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

Scheme summary

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

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
	2018 £m	2017 £m	2018 £m	2017 £m	
Joint ventures, associates and spin-outs					
INTO Newcastle University LLP	0.7	0.8	–	0.1	Net fees for student accommodation and other services.
Newcastle University INTO London LLP	(0.5)	0.6	5.3	4.1	Start-up loan and trade debt.
Newcastle Science Central LLP	(0.9)	(0.4)	–	5.4	Short-term working capital and recharges for infrastructure works.
Newcastle Science Central Management LLP	(1.6)	(1.8)	0.8	1.8	Recharges for Infrastructure works.
Demuris Limited	–	–	0.1	0.6	Loan to spin-out and trading.
Alcyomics Limited	(0.1)	(0.1)	–	0.1	Loan to spin-out and trading.
INEX Microtechnology Limited	–	0.1	0.1	0.1	Loan to spin-out and trading.
Other organisations					
Newcastle University Students' Union	2.1	1.6	–	–	Students' Union subvention and fees for other services.
The University of Newcastle upon Tyne Development Trust	(2.3)	(2.1)	–	–	Endowment income distribution.
The Newcastle upon Tyne Hospitals NHS Trust	(6.9)	(7.2)	1.7	1.3	University representation on Trust Board. NHS/academic staff recharges.
International Centre for Life	2.9	2.8	–	–	University representation on Board. Rentals payable.
Council and Executive Board members					
Mrs H Mottram, Northumbrian Water, Chief Executive	0.8	0.6	(0.8)	–	Water rates.
Professor C P Day, Medical Research Council member	(8.6)	(9.6)	0.1	0.1	Medical Research Council research funding.
Russell Group board director	0.1	0.1	–	–	Russell Group subscription.
Universities UK	–	–	(0.1)	–	Science Without Borders.
N8 Research Partnership	0.1	–	–	–	Partnership contribution.
Mr M Davison, non-executive director	0.1	0.1	–	–	City Hospitals Sunderland.
Professor D Burn, employee of Parkinson's UK	(0.2)	(0.4)	–	0.1	Research funding.
Professor J Sanders, board member of Advance HE	–	0.1	–	–	Access to training courses.
Professor Brian Walker, British Heart Foundation panel member (2018 only)	(1.1)	–	0.1	–	Research funding.
Professor Philip Wright, BBSRC committee member	(5.4)	(4.9)	–	–	Research funding.
Mr R Dale, EPSRC Audit and Risk Assurance Committee member	(27.0)	(19.8)	0.1	0.3	EPSRC research funding.
Northumberland College Board member	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 members of Council in respect of expenses during the year amounted to £5,981 (2017: £6,268).

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

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