

Financial Statements 2009–10

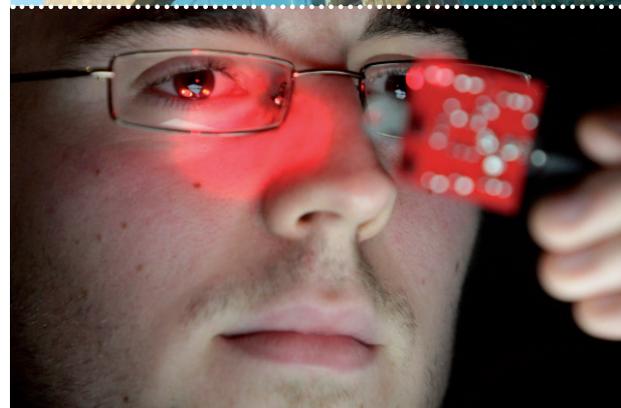
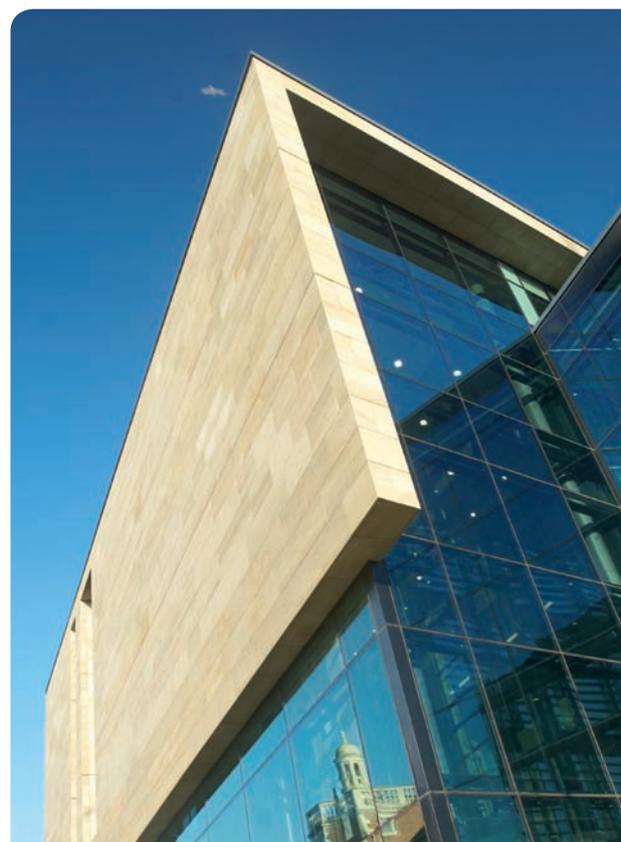




Students benefit from the new state-of-the-art Music Studios.

Contents

	Page
Foreword	2
Principal Officers of the University and Members of Council	3
Operating and Financial Review	4–21
Vice-Chancellor’s Introduction	4
The University	5
Key Performance Indicators	7
Review of Operations	8
Our Resources	16
Financial Review	18
Managing Risk	20
Corporate Governance	22–24
Independent Auditors’ Report to Council	25–26
Statement of Principal Accounting Policies	27–29
Consolidated Income and Expenditure Account	30
Statement of Consolidated Total Recognised Gains and Losses	30
Balance Sheets	31
Consolidated Cash Flow Statement	32
Notes to the Accounts	33–47
Five-year Summary	48





Foreword

While higher education has reflected the issues in the wider economy and there are many challenges ahead, the University has had an outstanding year.

We have made strong progress against the objectives outlined in our publication *Vision 2021 A world-class civic university*. In particular, the societal challenge theme of ageing and health was launched during the year, supported by the 'Changing Age' campaign. This has been a resounding success in promoting knowledge and interest in this vital subject and providing a window on the University's world-class research. We look forward to the introduction of the second challenge theme, which addresses the global issue of sustainability, an issue which the University has already embraced, both academically and in practice, through a highly successful recycling policy.

We have seen sustained growth in the international student body and are pleased to note the success of our activities in Singapore and the launch of the building phase of our Malaysian campus, due for completion in time for the 2011 intake. These add to our cultural diversity and contribute to financial performance, but the University recognises the need to monitor carefully the additional risks associated with the overseas market.

We welcomed our new Chancellor, Sir Liam Donaldson, who was formally inaugurated in December 2009, and we are already benefitting from his wise counsel. During the year, we were delighted to award Honorary Degrees to Alan Shearer, Karen Davis, Fergus Walsh, Andrew Hamnett, Anne Stevenson, Emma Kirkby and Ara Darzi. We awarded Honorary Fellowships to Ian Forster, Elizabeth Hedley-Whyte and James Barrie Scuffham.

We have seen some changes in Council membership during 2010 and I would like to thank all members for their work over the past very busy year. I would also thank all the University's friends who give so freely of their time to provide their counsel and support to the University.

Governance has absorbed much of our time, with a review of University governance, development of revised Statutes, the new HEFCE Financial Memorandum and the impact of changes to the Charities Act regulation of the University. These issues are dealt with more fully in the Corporate Governance section of the financial statements.

Council has also rightly spent much of its time this year reviewing the University's financial strategy and forecasts as we head into more challenging times. It is very pleasing to record that the University delivered a strong operating surplus in 2009–10 and is using this surplus to continue to fund its major capital development programme. I am confident, as is Council, that Newcastle University is making clear progress in delivering the strategic vision established in 2009. We recognise the likely magnitude of economic challenges, but are confident that the University's financial strength and stewardship can continue to support its academic ambitions and maintain institutional sustainability.

On behalf of Council, I want to congratulate the Vice-Chancellor, members of the executive team and all staff throughout the University for an excellent year.

Overall, we are well placed to weather the economic storm and to enhance Newcastle's standing as a civic institution with a world-class reputation.

Olivia Grant

Chairman of Council and Pro-Chancellor

Principal Officers of the University and Members of Council

for the year ended 31 July 2010

Chancellor

Professor Sir Liam Donaldson

Chairman of Council and Pro-Chancellor

Mrs Olivia Grant

Vice-Chancellor

Professor Chris Brink

Members of Council

Mrs Olivia Grant (Chairman) ^{1 4 6 7}

Professor Chris Brink ^{2 4 6 7}

Ms Emma Budge ³

Mr Nick Blezard ¹

Professor Máire Cross ²

Mr Colin FitzPatrick ^{1 5}

Ms Andriana Georgiou ³

Dr Felicity Harvey ¹

Ms Jacqui Henderson (Deputy Chair) ¹

Mr Robert Hull ^{1 5}

Mr Mark l'Anson (Deputy Chair) ^{1 7}

Sir Miles Irving ^{1 5}

Mr Peter Johnson (Treasurer) ^{1 4 6 7}

Mr Stephen Lightley ^{1 4}

Dr Lana Liu ²

Professor David Manning ²

Mr Simon Pallett ²

Professor David Parker ²

Ms Jan Parkinson ^{1 7}

Mr Simon Pleydell ¹

Ms Kate Priestley ^{1 6 7}

Mr Ian Shott ¹

Ms Lucy Winskell (*resigned 14 April 2010*) ^{1 5}

Members of Executive Board

Professor Chris Brink
(Vice-Chancellor)

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

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

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

Professor Ella Ritchie
(Pro-Vice-Chancellor – Teaching and Learning)

Professor Tony Stevenson
(Pro-Vice-Chancellor – Planning and Resources) ⁴

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

Professor Paul Younger
(Pro-Vice-Chancellor – Engagement *until 31 May 2010*)

Dr John Hogan
(Registrar)

Mr Richard Dale
(Executive Director of Finance)

Mrs Veryan Johnston
(Executive Director of Human Resources)



Our new Chancellor, Sir Liam Donaldson, was formally inaugurated in December 2009.

¹ Lay member

² Employee of the University

³ Student representative

⁴ Member of Finance Committee

⁵ Member of Audit Committee

⁶ Member of Nominations Committee

⁷ Member of Remuneration Committee

Mr Mike Davison and Ms Angela Woodburn are additional members of Audit Committee. Sir Peter Carr, Ms Carol Galley and Mr Jack Jeffery are additional members of Nominations Committee.



Vice-Chancellor's Introduction

In Britain's bleak years of 2009 and 2010, Newcastle University has delivered arguably its strongest performance ever. We have helped to reinvent the notion of the civic university with our new strategy

Vision 2021 A world-class civic university, defining Newcastle as a civic university with global ambitions and strong regional roots, committed to world-class academic excellence – but excellence with a purpose.

We won a Queen's Anniversary Prize for our societal challenge theme of ageing and health. In two surveys, students voted Newcastle University 7th in the world for the quality of the international student experience and best university town in the UK. Our international student enrolment increased by 21%. Our Library is the only one in the UK to be awarded a national Charter Mark on five consecutive occasions and has recently been awarded the New Customer Service Excellence Standard, the Cabinet Office Standard which is the successor to the Charter Mark. We have also been short-listed by the Times Higher Education for the award of University of the Year.

The Quality Assurance Agency (QAA) undertook one of its periodic audits of the University's management of academic standards and the quality of student learning opportunities. We received a 'judgment of confidence' – the highest rating given by the QAA. We were especially pleased to be commended for our efforts to improve students' employability and the steps the University has taken, as a research-intensive institution, to recognise the value of teaching through rewards and incentives for staff.

The European Foundation for Management Development (EFMD) has conferred the award of the European Quality Improvement System (EQUIS) to Newcastle University Business School for an initial period of three years. Newcastle now joins an elite group of only 124 schools worldwide to attain the EQUIS badge.

In February 2010 HRH Prince Andrew, Duke of York, opened King's Gate, our new £35m student and administrative services building, creating a 'front door' facing the city for the first time and improving greatly the provision of services to students. We have completed a £30m building for Bacterial Cell Biology and the Institute of Health and Society. Investment in our Campus for Ageing continued with the opening of a £5m Clinical Ageing Research Unit and plans were approved for a £14m

Biomedical Research Centre Building. New music studios and additional student accommodation were completed. Work has commenced on our new Business School as part of the Science Central site.

We have become the first university in the UK to create a medical school to operate outside the UK. The University won the support of the Malaysian government for the development of a medical campus in Johor Bahru. The first students are being taught in Newcastle from September 2009 for a two-year period. Agreements to build and lease the buildings have been signed with Iskandar Investment Berhad and building work is proceeding on schedule. The new campus will open in 2011.

The first 120 students have embarked on two new full-time degrees in naval architecture at our new Marine International Campus within Ngee Ann Polytechnic in Singapore. These programmes draw on the University's renowned expertise in this discipline and will support Singapore's booming maritime industry.

Regionally, we boosted the local economy with our acclaimed 'Ten Steps for the North East' programme, using accelerated HEFCE grants to expand our Newcastle Work Experience Scheme and bring forward estate works, and using VAT savings for a Business Voucher Scheme for SMEs and to increase cultural and educational activities.

With our two Science City partners, One North East and Newcastle City Council, we launched the Newcastle Innovation Machine to spin out SMEs.

The Great North Museum was officially opened by HM The Queen in November 2009 and has recently welcomed its one millionth visitor.

We are committed to ensuring our research helps address some of the key global issues by focusing on selected societal challenge themes. Our first, 'Changing Age', is a development of our expertise on the ageing process and the implications for society. We have the largest number of academics working on aspects of ageing in Europe, many based on a purpose-built campus operated in partnership with the NHS Trust.

The performance of the University is entirely dependent on the skill and commitment of our staff and supporters. I would like to thank our staff, our students, alumni, supporters and benefactors for their active support and interaction. Without them, the progress and achievements reported here would not have materialised.

Professor Chris Brink
Vice-Chancellor

The University

Overview

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

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

Over 19,500 students from more than 100 different countries choose to study at Newcastle. We have over 200 full-time undergraduate degree programmes on offer, in a wide range of subject areas and combinations. Our 50-acre site at the heart of Newcastle city centre boasts some of the best teaching and learning facilities in the country. Our multimillion-pound investment in the campus is set to continue, ensuring state-of-the-art facilities for our students and researchers. We are one of the largest employers in the North East of England, with approximately 5,000 staff.

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

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



Newcastle University is a world-class civic university.

Organisation

We have three core academic functions:

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

Strategic leadership of each of these is provided, on a university-wide basis, by a pro-vice-chancellor. Delivery of the core functions occurs in our three core academic structures, which are the three faculties, each led and managed by a pro-vice-chancellor.

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



The Vice-Chancellor with postgraduates after their graduation ceremony.

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

Charity status and public benefit statement

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

The University was established by an Act of Parliament in 1963, which did not state the object of the University. We have proposed a set of revisions to our Statutes which, subject to final approval by the Privy Council, state: 'The object of the University is for the public benefit, to promote education, learning and research'. Both the Privy Council and the Charity Commission have been consulted and have confirmed its acceptability.

Our mission is:

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

The University takes seriously its commitment to ensure that it satisfies the Charity Commission's public benefit test that there must be identifiable benefits and the opportunity to benefit must not be unreasonably restricted. We have an active programme to encourage participation in our academic programmes by students from under-represented groups.

Our student intake in September 2009 included 834 students eligible for full state support (ie their household income was at or below £25,000 per annum). This constitutes 22% of 2009 full-time UK undergraduate entrants. A further 614 new undergraduates were eligible for partial state financial support (ie their household income was between £25,001 and £50,020 per annum) and constitute 16% of 2009 full-time UK undergraduate entrants. In 2009–10 we spent £3.9m providing bursaries to 3,460 students (21% of our home students) facing financial difficulties.

During 2009–10 we awarded more than 5,800 undergraduate and postgraduate degrees.

We are the largest research university in the North East. During the calendar year 2009 our academic staff published 3,182 research articles, books, book chapters and conference proceedings. Our total research income in 2009–10 was £85.2m. Following advice from HMRC, Charity Commissioners, HEFCE and the British University Finance Directors Group, the University has revised its processes to ensure that all externally funded research projects are subjected to a public benefit test in line with such guidance.

To support the charitable work of the University, we received £3.7m in donations from a wide range of benefactors including many of our alumni and we are grateful for their support.

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

Key Performance Indicators

Objective 1

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

Ranking: Target – top 20

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

Research income: Target – £44k per academic
£42.1k in 2009–10 (£41.6k in 2008–09). Ahead of comparator group

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

Planning is on schedule

Patents: Target – eight patents per year
Six granted in 2009–10 (six in 2008–09)

Objective 2

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

Satisfaction: Target – minimum 90% satisfaction, no school below 90%

87% in 2010 (87% in 2009, 86% in 2008). Ahead of sector and comparator group, but room to improve

Postgraduate students: Target – 27% of total by 2015

Achieved in 2010. Ahead of sector average and comparators

Employment: Target – top 15 in Times Guide for graduate level jobs or postgraduate study
29th (72.4%) in 2011 Guide, 12th (79.4%) in 2010

Objective 3

To achieve a focus on societal challenge themes

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

Ageing and health launched in 2010, supported by the 'Changing Age' campaign. Natural fit with world-leading research. 2011 theme will be sustainability

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

Target achieved in year one

Objective 4

To achieve a significant international profile

International partnerships: Target – one per year until 2015

Partnerships established with Monash in 2007–08 and Groningen in 2009–10

International students: Target – 20% of total by 2014

16.7% in 2009–10. Ahead of comparator group

In country delivery: Target – three new operations by 2015

Malaysia – first medical school students recruited in 2009–10.

Singapore – marine engineering established in 2008–09

Objective 5

To achieve financial and environmental sustainability

Financial surplus: Target – >4% of income

5.7% in 2009–10. Target exceeded for last three years

Infrastructure investment: Target – 6% of income

9.7% in 2009–10 confirming commitment to estate

Research contribution: Target – 25% of income

24% contribution in 2009–10 (2008–09: 23%)

Cash: Target – balances >£50m

Net cash at 31 July 2010 was £103.6m

Staff costs: Target – below 55% of income

A significant sustainability measure. 53.3% in 2009–10

Staff satisfaction: Target – staff satisfaction >90%

In the 2010 Opinion Survey 93% of staff considered the University 'a good place to work'

Carbon footprint: Target – reduce by 10% by 2013

By introducing energy efficient technology and raising staff awareness we are confident of achieving this target

High Risk

Serious Concerns

Medium Risk

Some Concerns

Satisfactory

Low Risk

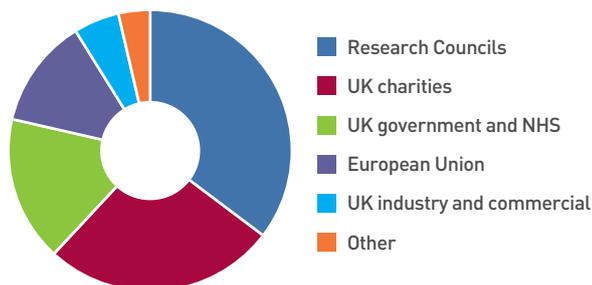
Review of Operations

Research and innovation

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

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

Research income in 2009–10 was £85.2m, an increase of £0.7m (1%) on 2008–09 with all faculties recording growth. Research Council income grew by 8% reflecting the high level of grant awards made in 2008–09. UK industrial and commercial income continued to grow but there was a decline in charity and EU income. Income from UK government sources increased by 5%, reversing the significant decline seen last year. Key research income streams are analysed below:



New research awards during the year decreased in value by 7% from £87.8m to £81.3m.

Research Council awards decreased by 11%, partly reflecting the exceptional results recorded in 2008–09 and, not unexpectedly, there was a 46% decline in UK charity awards. This was partly offset by £15.6m of new European Union awards, easily our best ever result, and a significant increase in UK government and NHS.



Final adjustments are made to state-of-the-art technology that will allow communication from the depths of a volcano.



The new Baddiley-Clark Building houses the Institute of Health and Society and Centre for Bacterial Cell Biology.

New research grants	2009–10		2008–09	
	£m	% of total	£m	% of total
Research Councils	32.2	40%	36.4	41%
European Commission	15.6	19%	7.8	9%
UK-based charities	13.2	16%	24.8	28%
Other	20.3	25%	18.8	22%
Total	81.3	100%	87.8	100%

Ageing and health was identified as our first societal theme and launched in autumn 2009 under the title 'Changing Age', a varied 12-month programme of events designed to attract both regional and national interest. The programme was a celebration of the University's research achievements in ageing-related research over the last 40 years, but it is also a call to action. It is imperative that we create a lasting legacy of greater involvement in ageing research across the University and the region.

Only by finding new ways of working together can we address the challenges of demographic change and improve people's lives. Newcastle University and the North East of England are leading centres for ageing research in the national and international community and we want to build on this strength.

It was particularly timely that the University was awarded the Queen's Anniversary Prize for Higher and Further Education for its world-leading work in the field of ageing and health. The Queen presented the award to the Vice-Chancellor and Professor Tom Kirkwood, Director of the University's Institute for Ageing and Health, at an award ceremony at Buckingham Palace in February 2010.

Our second societal theme will be sustainability, which will be launched later this year. The recently formed Newcastle Institute for Research on Sustainability, led by Professor Paul Younger, will co-ordinate the University's activity in this area. The ambition of the University is to establish Newcastle University as Europe's leading centre of expertise in the principles and practice of sustainability, particularly in relation to our key strengths in:

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

Work in these focus areas, and on holistic approaches to sustainability, will draw upon specific expertise in ecology and environmental health, all underpinned by rigorous understanding and critical analysis of fundamental issues of justice, ethics, governance and culture.

We have ordered a new research vessel that will further our scientific understanding of the North Sea. The new boat, which will be launched in 2011, will play a major role in the University's drive to focus on sustainability, providing vital data about our coastal waters and informing future decisions about marine conservation zones as well as acting as an advanced platform for marine technology research needs.

The University's Research Office won first prize in the prestigious Times Higher Education Leadership and Management Awards 2010 and our research successes were regularly reported in regional and national media during the year.



Launching the 'Changing Age' campaign.



HM The Queen presenting the Queen's Anniversary Prize for Higher and Further Education for our world-leading work in the field of ageing and health.

Teaching, learning and the student experience

The key objectives in our teaching and learning strategy are to:

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

The University has refreshed its Teaching and Learning Strategy, taking the opportunity to produce a single strategy covering teaching, learning and the wider student experience¹. Our priority themes for action in 2009–10 and 2010–11 are internationalisation, linking research and teaching, student employability and improving the consistency and quality of the student experience.

Registered students as at 31 December 2009 were 19,667, a 4.2% increase over 31 December 2008, largely reflecting further growth in international student numbers. Home and EU undergraduate student numbers are within HEFCE recruitment limits.

Total students	2009			2008	Growth %
	Full time	Part time	Total	Total	
Undergraduate					
Home and EU	13,089	48	13,137	13,165	-0.2%
Overseas	1,240	6	1,246	990	25.9%
Total	14,329	54	14,383	14,155	1.6%
Postgraduate					
Home and EU	1,913	1,324	3,237	2,964	9.2%
Overseas	1,872	175	2,047	1,759	16.4%
Total	3,785	1,499	5,284	4,723	11.9%
Total	18,114	1,553	19,667	18,878	4.2%

Since 2005, total student headcount has increased by 14% from 17,281 to 19,667. Home and EU students have increased by 10% from 14,904 to 16,374, and international students have increased by 39% from 2,377 to 3,293.

Undergraduate degrees awarded were:

Award	2009–10		2008–09	
	Number	% of total	Number	% of total
First class	570	15%	490	14%
Second class, first division	1,953	52%	1,855	52%
Second class, second division	671	18%	706	19%
Third class	89	3%	100	3%
Other	451	12%	442	12%
Total	3,734	100%	3,593	100%

Newcastle University Medicine Malaysia (NUMed), which is being built at Iskandar Malaysia, Johor Bahru, enrolled its first 24 students in September 2009 and is on course to reach its total enrolment target of approximately 900 by 2017. The first cohort of students has started the degree programme at Newcastle before transferring to Malaysia to continue their clinical studies when the Johor campus opens in 2011. We also have an arrangement with Ngee Ann Polytechnic in Singapore to offer two new degree programmes in naval architecture with specialities in marine and offshore engineering. In its second year of operation, the Singapore branch campus had 142 students. This will migrate to a new strategic relationship with the Singapore Institute of Technology in September 2010 and we expect this to grow strongly in the next few years.

The University underwent Institutional Audit by the Quality Assurance Agency² in autumn 2009, with an overall opinion that confidence can be placed in the soundness of the University's present and likely future management of both the academic standards of its awards and the quality of learning opportunities available to its students.

¹ A full copy of the strategy can be found at www.ncl.ac.uk/quilt/strategy

² Professor Chris Brink, Vice-Chancellor, is also a member of the QAA Board of Directors. He played no role on behalf of the QAA during the course of the audit.

We welcomed the recognition of good practice in the range of ways in which the University is developing the employability of all of its students and the steps the University has taken, as a research-intensive institution, to recognise the value of teaching through its rewards and incentives for staff, and to enhance the quality of teaching by encouraging the inclusion of research in the curriculum. The audit also recognised that Newcastle students are very positive about their learning experience, the high quality of learning resources and the quality of the University's professional services.

We are addressing the audit's recommendations for improvement including ensuring consistency of local implementation of University policies, developing a revised system for personal tutoring and a review of the institutional oversight of collaborative arrangements.

The University maintained its strong institutional performance in the annual National Student Survey (NSS), with 87% of students who took part in the 2010 survey agreeing or strongly agreeing that they were satisfied with the overall quality of their course. This maintains the score achieved in 2009, and shows a sustained improvement from 81% in 2006.



Top: one of the newly refurbished computer clusters.
Above: our Marine International campus in Singapore.

Agree and strongly agree	Newcastle		England
	2010	2009	2010
The teaching on my course	87%	87%	83%
Assessment and feedback	63%	62%	67%
Academic support	79%	78%	75%
Organisation and management	83%	81%	73%
Learning resources	83%	85%	79%
Personal development	81%	80%	79%
Overall satisfaction	87%	87%	82%

Action continues to be taken to address our relatively low scores on assessment and feedback, and satisfaction in this area is showing a sustained trend of improvement. Satisfaction with the clarity of assessment criteria increased from 61% in 2006 to 72% in 2010, and promptness of feedback from 44% to 62% over the same period.

These positive messages are reinforced by the findings of the 2010 Postgraduate Taught Experience Survey (PTES) and the 2009 International Student Barometer (ISB). The average scores for the PTES showed that Newcastle mean scores were higher than the sector as a whole for 33 out of 48 ranking questions and higher than the Russell Group for 37 questions. In the ISB 91% of respondents rated their general satisfaction with Newcastle as high. Identified areas of strength include the Careers Service (94%), IT support (94%) and the Library (93%). We are addressing areas identified for improvement, including opportunities for social integration of international students, particularly with home students.

The consistent message from student surveys and focus group data is that there are three factors influencing student satisfaction: good quality teaching, high-quality facilities and services, and feeling included in the University community, and our key developments in learning and teaching are closely linked with these themes.

We undertook a programme of improvement to learning spaces, including refurbishment of three computer clusters, the creation of an additional 24-hour access cluster and one dedicated social learning space, installation of AV equipment into a further eight teaching clusters, and refurbishment of 21 lecture theatres and teaching rooms.



In November 2009, many of the University's student support services were brought together in the impressive new King's Gate (above and right).

We launched Equate (Equal Acclaim for Teaching Excellence), a pilot programme to support experienced practitioners from academic and service units to develop innovative initiatives related to teaching, learning and the student experience. We also launched new frameworks for student representation and personal tutoring.

In November 2009, many of the University's student support services were brought together in King's Gate, the University's new landmark building on Barras Bridge. Not only are these services now in one location, they have been integrated more closely in terms of delivery to students, providing them with a more convenient and seamless service. There were 34,000 face-to-face interactions with students in the first six months of opening.

In response to student demands for a wider range of information resources, the University Library launched a new e-book service with over 100,000 new titles available. The Library's e-book collections are among the largest of any academic library in the country. Services for postgraduate students have been improved, with increased opening hours during the summer vacation, and dedicated study rooms in the Robinson Library.

The Accommodation Service accommodated 4,500 students across 14 sites and achieved 98% occupancy across the year. It invested £5m in a new 98-bed residence (Castle Court), offering en suite accommodation, and invested £2m on refurbishment of existing accommodation.

The impact of the recession on graduate recruiters and on our graduates' employment prospects was reflected in the results of the 2008–09 Destination of Leavers of Higher Education survey, for the second consecutive year. Unemployment rose from 6.5% for the 2008 cohort to 7.4% in 2009. Our Employment Indicator of 91.2% ranked Newcastle 12th equal out of the 20 Russell Group universities. Encouragingly, the proportion in graduate-level jobs rose to 77.9% (2008: 76.6%). The percentage of graduates working in the North East saw a slight decrease to 47.7% (2008: 48.7%).

The number of graduates in self-employment increased to 80 (2008: 64) in line with a consistent upward trend over the last four years. Numbers of graduates going onto further study increased marginally to 18.0% from 17.7% in 2008, possibly a result of some graduates postponing their entry to the employment market in the hope that the economic situation would improve.





Investment in student accommodation includes the new 98-bedroom Castle Court.

Graduate employer activity on campus is still vibrant. The University is rated as the 19th most targeted university by recruiters from The Times Top 100 Graduate Employers, and over 2,300 graduate vacancy notifications were advertised on the Careers Service's 'Vacancies Online' database. An increased uptake of ncl+ activity is helping our students face a challenging and competitive graduate labour market. Following a pilot project funded by the HEFCE Economic Challenge Initiative Fund (ECIF), we have extended eligibility to access the Careers Service to graduates to three years after graduation.

Sport continued to enhance the student experience at Newcastle during the year. In Performance Sport our students finished 11th out of 146 institutions in the British Universities and Colleges Sport rankings and also retained the Harry Clasper Trophy and the Stan Calvert Cup in the annual boat race versus Durham and varsity sports day against Northumbria respectively. Campus Sport saw over 5,000 student visits to exercise classes and 2,500 students take part in the six sport Intra Mural programme.

Engagement

During 2009–10, we concluded development of our engagement strategy, where we have defined engagement as the interaction of the University with the civil society to which it belongs. At its heart is the principle that engagement is an integral, embedded part of our teaching, research and service endeavours, rather than a separate, additional strand of activity. Our objectives are to:

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

A major ongoing initiative is our involvement with One North East and Newcastle City Council as a partner in Newcastle Science City. During 2009–10, the vision and focus of Newcastle Science City were reviewed and refreshed. The vision has three elements: to promote Newcastle as a city of science excellence; to create and support science and technology-based businesses; and to ensure the local community (especially young people) can get involved in the city's scientific achievement.

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

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

The £26m project to redevelop the Great North Museum, completed in May 2009, continued to be an exceptionally important visitor attraction. It welcomed its one millionth visitor on 25 August 2010.

The University's ten-step programme to help boost the North East economy, launched in January 2009, continued during the year. Partly funded by accelerated and special HEFCE grants, the programme included:

- making it easier for suppliers or clients to work productively with the University
- bringing forward elements of our long-term programme of maintenance and refurbishment works and improved energy efficiency
- the introduction of a Business Voucher Scheme for small and medium-sized companies, matching curriculum provision to the needs of regional employers
- expanding our successful Newcastle Work Experience scheme giving small businesses low-cost access to skilled and enthusiastic students
- expanding provision of free cultural and educational activities

Student engagement in the community continues to flourish. Student Community Action Newcastle (SCAN) is a popular student organisation, which is a registered charity and helps students become involved in the local community. Through the Career Development Module, students can also engage in many activities such as Students into Schools, a joint project with Northumbria University through which up to 500 students each year act as positive role models working with young people in schools and community settings.

Over 100 students were actively involved in volunteering through sport in local schools, sports clubs and the local community to raise the aspirations of those they work with whilst developing their own skill sets. A further 300 students were involved in running 57 Athletics Union sports clubs.

In 2010, our PARTNERS Programme (involving 114 schools and colleges) celebrated 10 years of operation, during which more than 1,500 young people from under-represented groups in the North East, Cumbria and parts of West Yorkshire have entered Newcastle University through the PARTNERS supported entry route. PARTNERS seeks to build the confidence of students, enabling them to demonstrate their potential for success in higher education, and supporting them through their application, entry and transition to the University. In addition, our portfolio of aspiration-raising and outreach activities is rich and varied. For example, during 2009–10 our five full-time graduate ambassadors visited 160 schools and colleges in the North of England, offering a menu of activities and information. They, and our 130 part-time undergraduate student ambassadors, contributed to a wide range of events for young people, both on and off campus.

Newcastle University is leading the HEFCE-funded Realising Opportunities project, through which 13 universities are working together to develop a collaborative compact scheme to encourage the progression of able young people from under-represented groups to research-intensive universities, with the intention that this will be rolled out to become a nationally available scheme from 2012.

We continue to be the lead institution for two major regional projects: Aimhigher Tyne, Wear and Northumberland; and Beacon North East, one of the six national pilot 'Beacons for Public Engagement'. Through the Beacon, we seek to enable more effective two-way knowledge exchange between researchers and people in wider society and to transform the culture within the partner universities so that participatory practices become central to their strategy.

Development work is underway with Groningen University in the Netherlands to form a broad-based, institutional-level strategic partnership, with a civic connection (twin cities), linking all three faculties in projects ranging from student and staff exchange to dual masters' programmes to research. This will be Newcastle's second strategic partner after Monash University in Australia.

A strong partnership with Banco Santander has been developed. This includes Santander providing annual donations for student scholarships and Newcastle joining their universities network of more than 700 HEIs worldwide.



Each year, Newcastle University employs graduate ambassadors. **Above:** the 2010–11 group.

Sustainability

We continue to invest in our academic teaching and research base as well as infrastructure to improve our performance, ensuring best practice and value for money with demonstrable cost savings. We offer over 40 undergraduate and postgraduate courses in the sustainability area and many more modules as part of our contribution to civil society to raise the awareness of environmental sustainability amongst our student body.

We are making good progress in improving the environmental sustainability of our infrastructure and are implementing the environmental management system, EcoCampus, through which we achieved Bronze status in October 2009 and are on track to achieving a Silver award in autumn 2010 and Gold in spring 2011. Council approved the University's strategy for Environmental Sustainability of its Infrastructure in March 2010.

Our 2008 staff travel to work survey showed a significant modal shift away from car travel from 35.3% in 2006 to 25.3% in 2008. At the same time on-campus car spaces have been reduced from ca 1,040 spaces (2004) to 484 (2010) while Network Bus and Metro passes issued to our staff have increased from 290 to 1,166. Further opportunities for sustainable travel in 2010 include the launch of WhipBikes, a 150-bike cycle hire scheme, and installation of battery charging points in advance of the launch of a range of electric vehicles by the region in 2011. This led to a Gold Award from NEXUS in August 2010.

Electricity consumption increased by 1.3% in 2009–10 compared to 2008–09. This is directly the result of the opening of 22,194m² of new and refurbished buildings. Excluding these new buildings, our annual electricity usage fell by 2.2% illustrating that the past and current investment in energy conservation is paying off. This investment includes: lighting upgrades and controls; implementation of a green purchasing requirement for all new computers (61% of our computers now have a green specification); installation of auto switch-off in PC clusters (this has avoided ca 792,000 hours per month of PCs left switched on saving ca £61k and 420 tonnes of CO₂); virtualisation of 200 servers leading to savings of ca £138k (920 tonnes CO₂); and improved energy awareness amongst staff and students as a result of our ongoing work with 70 environmental co-ordinators. This was reinforced by the launch of our Save-It campaign to staff and students in January 2010. In addition, the energy ratings of our recently built buildings are: King's Gate (BREEAM very good); Baddiley-Clark (BREEAM excellent – only one of three laboratory buildings to be so classified in the last 20 years); Castle Court (EPC grade A). Some 870 windows across the campus have been replaced by thermally efficient u-PVC units.



Above: we have completed the second year of a long-term programme of investment in the campus environment.

Left: staff receiving training on how to process food waste.

The impact of the boiler replacement programme and upgrade of the Building Management System (BMS) is designed to reduce our carbon emissions by 3.3% by 2013. Improved metering, further upgrades to the BMS, improved management of the systems, and further behaviour change will enable additional savings.

We have achieved our 2012 recycling target, with 60% of waste recycled and 30% of the remaining waste sent for incineration (with heat recovery). The introduction of food waste composting has led to 16 tonnes of compost being produced per annum. Recycling through our waste electrical and electronic equipment recycling scheme is running at about 38 tonnes per year and is now being achieved at no cost to the University.

Our Resources

People

The University depends for its success on recruiting, retaining and developing high-calibre staff. Overall, staff FTE increased by 72 from 4,469 at 31 July 2009 to 4,541 at 31 July 2010.

Staff costs in 2009–10 were £198.5m, compared to £192.9m in 2008–09. We manage our staff costs to ensure they remain at approximately 55% of total income. During 2009 USS contributions increased by 2% and further increases are expected pending the outcome of the consultation with staff on changes to scheme benefits and the 2011 actuarial valuation.

Pay settlements of 0.5% in 2009 and the proposal of 0.4% in 2010 will assist in managing salary costs if the latter is agreed. The University and College Union has rejected all aspects of the offer and has also registered a dispute on the subject of job security. It seems likely that UCU will ballot for industrial action during the next few months. The national picture contrasts with the local position, where the University is in active dialogue with trade union representatives on how to achieve savings and efficiencies in order to protect our current position. Salaries were frozen for the Executive Team including the Vice-Chancellor during 2009–10 and will remain the same in 2010–11.

The University conducted its third employee opinion survey in May 2010. Almost 3,000 staff participated and key topics such as strategic direction, leadership and organisation effectiveness all showed improvement on the 2007 results. 93% of respondents said the University is a good place to work compared to 90% in 2007. The overall results mean the University can consider itself an 'Employer of Choice', predicted to be one of the top 10 employers out of the 242 public sector organisations in the benchmark group.

Professor Sir John Burn was awarded a knighthood in 2010. In addition Professor Janet Walker was awarded an OBE and Professor Mike Goodfellow an MBE. Professor Jim Hall has been elected as a Fellow of the Royal Academy of Engineering and Professors Tony Champion, Mike Coombes and Mark Shucksmith were awarded the title of Academician of the Academy of Social Sciences. Other academics honoured during the year include Professor Máire Cross (Chevalier dans l'Ordre des Palmes Academiques), Professor Paul Younger (Honorary Doctorates from universities in Peru and Spain) and Professor Hilary Calvert (Lifetime Achievement Award for his outstanding contribution to the field of oncology).

The University was awarded the Athena Swan Bronze Award in September 2009 recognising our commitment to the advancement and promotion of the careers of women in



Newcastle University students and staff taking part in this year's Great North Run.

science, engineering and technology. Progress is being made on equality action plans. A new professorial pay structure and related pay review process has been introduced to help address the gender pay gap at that level. An Equality Impact Assessment has taken place on staff recruitment and selection procedures and plans are in hand to develop a Single Equality Scheme in line with legislative requirements.

Financial resources

At 31 July 2010 the University held gross cash and short-term deposits totalling some £121.1m, the equivalent of four months' recurrent total expenditure. Balances increased by £34.2m during the year, reflecting the strong surplus and focused balance sheet management. These balances will decline in future years as the University fulfils its capital programme. Long-term debt, which relates solely to property, was £17.7m. The balance reduced by £1.0m during the year and is due to be repaid by 2029.

Estate

Our estate strategy's key objectives are to facilitate academic strategic priorities and:

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

Our Major Investment Projects Plan 2010 identifies £130m of planned and proposed expenditure over the next five years, of which £80m is capital and £50m is funded from income. We will continue to develop and maintain an attractive and financially and environmentally sustainable environment for a high-quality student experience and internationally renowned research, through a comprehensive and integrated approach to capital investment, maintenance, space utilisation and carbon reduction.

As well as carrying out new build development to achieve University objectives, we have continued to reduce older, less functionally suitable floorspace. Since 2000 our relative position in our peer group has improved dramatically in reducing floorspace per student FTE, while improving condition and functional suitability.

We have set key performance targets for the estate:

Target	2012	2007
Net internal area of the non-residential estate (m ²)	208,000	218,918
Frequency of use of all teaching rooms	60%	45%
Floor space in condition category A&B	85%	78%
Floor space in functional suitability category 1&2	77%	67%

As well as continuing to improve buildings, we have completed the second year of a long-term programme of investment in the campus environment (the Coherent Campus initiative). This includes improving accessibility, landscaping and cycling infrastructure, as well as behavioural campaigns including energy saving events to raise awareness. Completed projects include major landscaping works to create a welcoming and accessible entrance and pedestrian route into and through the central campus: King's Walk, the Old Quadrangle and Robinson Place. Working with Newcastle City Council and Northumbria University we have agreed a Masterplan for public realm around the city centre campus, and the City has widened pavements and installed a signalised crossing to calm Claremont Road, which bisects the campus.

Projects completed in 2009–10 include King's Gate, our new student and administrative services building which, together with surrounding landscaping, has created an important, highly visible university presence facing the city. The Baddiley-Clark Building for medical sciences research and Castle Court (a new student residence) were also completed. We have continued our programme of lecture theatre, teaching room and computer cluster refurbishments. 94% of common user teaching rooms are now at functional suitability grade 1 (excellent) and 2 (good) and there are no poor rooms. The Business School (a third party development) completes for occupation in summer 2011. A joint venture company, INTO Newcastle University LLP, has commenced a major development on campus comprising a teaching centre and 500 bedrooms. We have continued to progress our major boiler replacement programme.

New projects commenced during the year include: the Biomedical Research Centre, to be jointly occupied with the Newcastle Hospitals Foundation Trust at the Newcastle General Hospital site; space rationalisation projects; the refurbishment of the Students' Union building; new directional signage for the central campus; and the repair of a listed peel tower at Cockle Park Farm. The Institute of Neurosciences has won Wellcome funding for a building extension, which is at feasibility stage.

Information technology

Information systems and services underpin the University's operations. A Strategic Information Systems Group has been created to govern the strategic direction of information systems within the University and Executive Board reviews the key issues relating to our information strategy and technologies at least twice a year.

The University's information services continue to be delivered centrally by a managed dedicated service unit, and locally by computing officers based in academic units. However, the IT requirements of the University have increased dramatically over recent years; there are now some 10,000 computers used across campus with an increasing number of staff and students bringing their own PCs and smart devices on campus. This poses significant challenges to the way our services are provided.

In response to the changing IT landscape, 2010 has seen the reorganisation of our centrally managed Information Systems and Services unit which delivers core computing such as e-mail, internet access, the campus network, common desktop, security and business systems to the University.

ReCap, the lecture and event recording service, is undergoing considerable expansion. It is being installed at a further 22 teaching venues, which will result in 45 available venues for the start of the new academic year. The service continues to be extremely popular with 1,826 recordings made last year and more than 120,000 viewings/listenings.

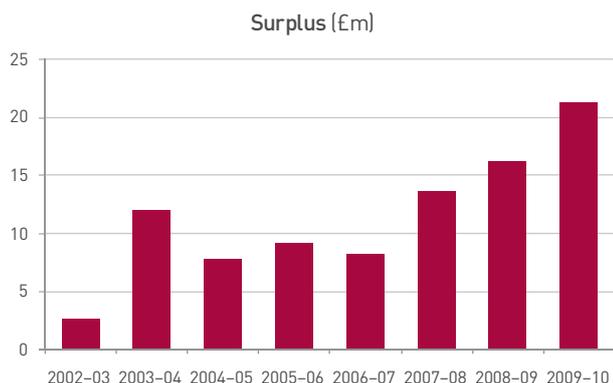
SAP business systems support the day-to-day running of the University, underpinning student administration, finance and human resources. These core systems have seen a number of enhancements and upgrades over the past year to help improve resilience and efficiency. April 2010 also saw the implementation of a major Customer Relationship Management solution at King's Gate to support the operations of the new Student Interaction Centre. The new solution provides a single system to track face-to-face, voice, web or e-mail interactions between staff and students, helping to underpin the delivery of consistently high levels of service.

Innovative use of IT continues to improve the sustainability of our services and decreases their environmental impact. Server virtualisation means running fewer larger computers, which saves space and reduces energy costs. Simple changes in operational and purchasing practices such as double-sided printing and the ongoing 'switch off' campaign also provide demonstrable cost savings and allow IT to make a significant contribution to the green agenda.

Financial Review

Introduction

The University recorded a total surplus of £21.3m, an increase of £5.1m on the previous year. The University has recorded eight consecutive years of surplus, which has helped to increase net cash balances from £18.2m at 31 July 2002 to £103.6m at 31 July 2010.



Net income grew by 2% on the previous year from £365.4m to £372.5m with a significant increase in academic fees. Total expenditure increased by 1% on the previous year from £350.1m to £352.6m. Year on year trends have been distorted by the timing of major projects, notably the Great North Museum project completed in 2008-09 and projects resulting from accelerated HEFCE Capital Investment Fund grants in 2009-10.

An actuarial gain of £6.8m was recognised in the Statement of Consolidated Total Recognised Gains and Losses in the year, as required by FRS17. This relates to the University's Retirement Benefits Plan (RBP) and compares to a loss of £19.1m in 2008-09. The basis for the gain/loss is fully documented in note 30 of the accounts.

Income

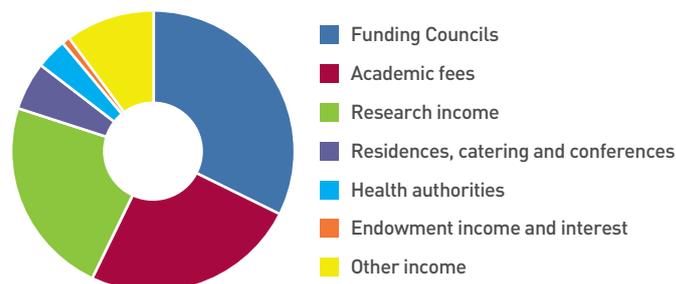
Net income grew by 2% on the previous year from £365.4m to £372.5m. Over the past five years, income has increased by 29% from £288.0m to £372.5m, an average growth of 7% per annum.

Funding Council grants as a percentage of total net income increased from 31.0% to 32.4% reflecting accelerated Capital Investment Fund grants. This percentage is expected to decline sharply in future years. Academic fees from full-time home and EU students increased by £4.6m (11%), reflecting the continued impact of the higher home tuition fees introduced for new students in 2006. Overseas student fee income increased by 28% from £29.0m to £37.2m, reflecting the significant growth in both undergraduate and postgraduate taught student numbers.

Research income in 2009-10 was £85.2m, an increase of £0.7m (1%) on the previous year, with all faculties recording growth. Research Council income grew by 8% reflecting the high level of grant awards made in 2008-09. The contribution to overheads from research activity was £20.2m or 24% of income (2008-09: 23%) reflecting the continuing impact of full economic costing for our research activity.

Other operating income declined by £8.9m but this was distorted by the impact of the Great North Museum project in the previous year and the underlying trend was an increase of 3%. Income from residences, catering and conferences increased by 11% due to exceptionally high occupancy levels and the transfer of student catering activity from the Union Society to the University in September 2009. Interest receivable declined by 72% from £3.2m to £0.9m, reflecting the significant reduction in interest rates in the past two years. The average rate of interest earned by the University's cash deposits was 5.8% in 2008 but is currently 1.2%.

Key income streams are summarised below.

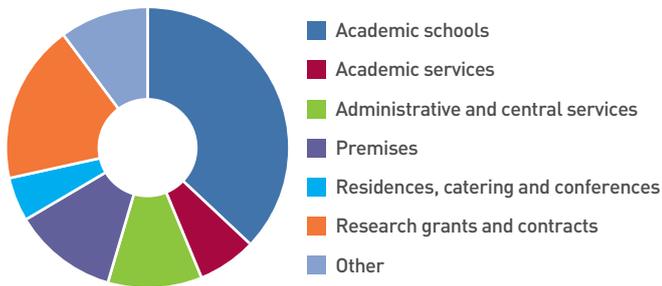


Expenditure

Total expenditure increased by 1% on the previous year from £350.1m to £352.6m. Over the past five years, expenditure has increased by 26% from £278.9m to £352.6m, an average growth of 6% per annum.

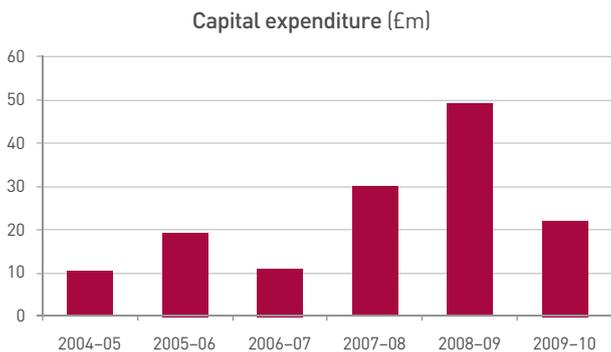
Staff costs increased by £5.6m (3%) and represented 53% of total income (2009: 53%), in line with the University's financial strategy. Headcount increased by 1.6% during the year, most staff received a 0.5% pay increase in August 2009 and USS employer contributions increased by 2% in October 2009. Other operating expenses reduced by £1.7m largely due to utility price reductions and the timing of major projects. Depreciation reduced by £1.2m (13%) with an increase in land and buildings depreciation, following completion of the King's Gate, Baddiley-Clark and Castle Court developments, more than offset by lower expenditure on new equipment.

Key expenditure streams are summarised below.



Balance sheet

Capital expenditure in the year was £22.7m, a reduction of £26.5m on the record level recorded in the previous year, reflecting timing of the University's capital plan but still the third highest recorded by the University. There were £34.0m of outstanding contracted capital commitments at 31 July 2010 (2009: £22.6m) with a further £10.9m authorised but not contracted (2009: £9.3m).



Debtors were largely unchanged at £32.1m, reflecting continued strong collections performance. The beneficial cash flow was augmented by an increase of £5.7m in short-term creditors from £81.4m to £87.1m, largely due to a significant increase in payments received on account, both for research projects and 2010-11 overseas students.

Net cash balances increased from £68.3m to £103.6m during the year reflecting the strong surplus, the improvement in working capital balances and reduced levels of capital expenditure. These balances are expected to decline in future years in line with the University's capital development programme.

Risk management of the University's cash and equity investments is described in detail in the Managing Risk section.

Outlook

The University is nearing the end of a prolonged period of growth in student numbers and government funding. Although short-term prospects are strong, the medium-term picture is one of considerable challenge to the University.

Significant real cuts in public sector funding (both from HEFCE and the Research Councils) seem an inevitable consequence of the forthcoming Comprehensive Spending Review. The capacity of student income to fill the gap is dependent on the outcome of the Browne review into student finance, the impact of ever tightening border controls on overseas student recruitment, increasing student expectations of the quality of their experience at university and the ability of the student loan company to deliver a quality and timely service to students. Although structural changes have been agreed by the trustees, the USS pension scheme presents a significant continuing risk to the University.

The University starts from a sound base. We recorded a significant surplus in 2009-10 on a rising trend and, although we expect 2010-11 to produce a lower surplus, we have a sound budget in place in line with our financial strategy.

We have one of the soundest liquidity positions in the sector and our refreshed strategy is firmly anchored by the revised economic outlook. A series of programmes are underway across the University to create financial headroom through growing profitable non-core income, improving procurement effectiveness and increasing the efficiency of our administrative processes.

The key objectives in our financial strategy are to:

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

We do not at present plan redundancies beyond those occurring in the normal course of events, although such a course of action cannot be ruled out if public expenditure cuts are excessively severe.

Managing Risk

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

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

Strategic risks

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

Research

We need to ensure that we are preparing appropriately for the Research Excellence Framework, which has replaced the Research Assessment Exercise as the main mechanism to judge the quality of our research performance and determine the allocation of research funds from HEFCE.

Staff

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

Financial viability

We need to ensure continued financial viability.

Student recruitment

We need to continue to attract high-calibre students from a wide range of backgrounds from home and overseas.

Pensions

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

Newcastle Science City

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

Societal themes

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

Major projects

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

Information

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

Health and safety

Council and Executive Board receive regular reports on performance relating to health and safety, which is the first agenda item at each meeting. A revised safety policy was approved by Council in June 2010 and is being communicated to all staff.

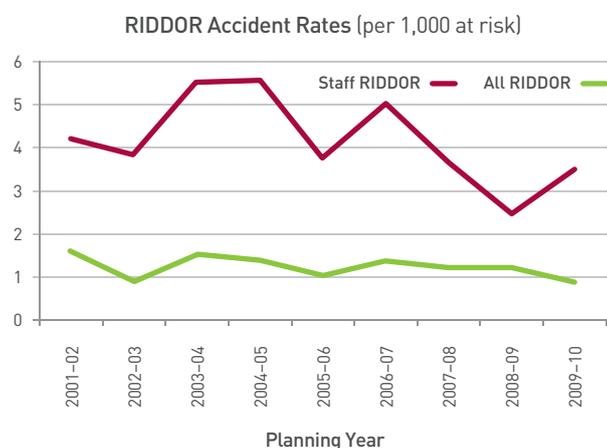
The University is participating in a national project, part funded by HEFCE, aiming to improve employee wellbeing. An online resource has been launched to help staff improve and maintain their physical, mental and emotional wellbeing. A Health and Safety Executive stress intervention in December 2009 identified several areas of good practice and clear evidence of strong commitment both from senior management and staff representatives to stress risk assessments. The 2010 staff opinion survey showed a reduction from 23% in 2007 to 20% in 2010 in the proportion of respondents reporting stress.

The level of accidents reportable under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR) remains largely unchanged. Increased training has taken place on manual handling to address the most common type of reportable accident.



Treasury

At 31 July 2010, the University had £83.0m short-term cash investments (2009: £71.0m). The level of deposits fluctuates throughout the year with materially higher cash balances between September and December due to the timing of tuition fees and HEFCE grants. Balances will decline in the medium term in line with our capital expenditure programme. Our investments are controlled by our counterparty policy, which is agreed by Finance Committee with advice from brokers. We only place our money with secure UK banks and building societies. A wide portfolio of banks is chosen to spread risk, although events in 2007 and 2008 led us to focus on a smaller number of more secure banks. We regularly review our investments and take rapid action if we believe there is any deterioration in risk. Our policy was agreed in full recognition that we may reduce potential interest income to mitigate the high level of risk in the financial services sector.



At 31 July 2010, the University had £36.9m of endowments (2009: £32.3m). Endowments are primarily invested in UK equities. The University uses Majedie, London-based brokers, who consistently outperform the market, and Black Rock (formerly Barclays Global Investors) to manage its investments. Finance Committee meets formally with Majedie once a year and the Executive Director of Finance meets quarterly with them to review progress. In addition, we receive monthly performance reports.



New quick-access computing facilities are part of a continuing process of refurbishment.

Corporate Governance

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

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

During the course of 2009–10 we have consulted widely on a major overhaul of the statutes. The Minister of State for Higher Education wrote to vice-chancellors in February 2006 explaining how the government would implement the recommendation in the 2003 White Paper about the desirability of enabling universities to make minor changes in statutes without reference to the Privy Council. We were invited to remove certain provisions from our statutes to ensure that in the future they remain entirely under our control. We have proposed a wide range of simplifications and clarifications to the statutes which we believe make them easier to understand and will help clarify the lines of responsibility. These changes include modifications to the powers of Council and Senate and the provision for a modest reduction in the size of both. The principle of a lay majority for Council has been preserved and the principle of an elected majority for Senate has been introduced.

The most significant set of changes in terms of length and complexity concerns the proposed amendments to the so called 'model' statute. The existing 'model' statute was imposed on pre-1992 universities in the late 1980s. It is now out of date in that it fails to conform with employment law and recommended practice and arguably confuses a commitment to academic freedom with details of employment procedures. It is proposed to retain our commitment to academic freedom and, indeed, strengthen this as proposed by the local branch of the University and College Union (UCU). The detailed procedures governing dismissals and disciplinary matters are in the process of being negotiated with the representatives of UCU and will need to be submitted for consideration by Senate and for approval by Council.

In addition we have conducted a review of University governance. A joint working group of Senate and Council, chaired by one of our deputy Chairs of Council, Mark l'Anson, has just completed its report. The working group's conclusion is that 'Although the University's governing structures are complex, with responsibilities falling to Council, Senate and, to a lesser degree, Court, the working group believes that the current arrangements are operating appropriately'. The working group has not recommended changes to our fundamental structures and instead it has made a wide range of recommendations on the operation of our governing bodies which will be considered by Council and Senate.

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

Court

Court is not part of the University's day-to-day decision-making processes but plays an important and influential role on behalf of the University's stakeholders. Its membership is representative of the University, the local community and other organisations with an interest in the work of the University. It meets twice a year

to receive a report from the Vice-Chancellor and to discuss any matters relevant to the interests and wellbeing of the University.

Senate

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

Council

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

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

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

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

reports on these matters regularly to Council. Through the monitoring undertaken by its Financial Monitoring and Budget Scrutiny Group and Budget Setting Group, Executive Board is also responsible for the use of resources and financial performance of all budgetary units. It has particular responsibility for value for money.

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

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

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

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

Council: Statement of Primary Responsibilities

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

General

- To be responsible for ensuring the effective management of the University and to take all final decisions on matters of fundamental concern, being decisions that have not been delegated to the Vice-Chancellor.
- To safeguard the good name and values of the University.
- To contribute to the development of, and approve the mission and strategic vision of, the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- Subject to the powers of Senate, to take such steps as it thinks proper to advance the interests of the University, maintain its efficiency, and encourage teaching, the pursuit of learning and the conduct of research within it.
- To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- To establish processes to monitor and evaluate the performance and effectiveness of Council itself.
- To delegate authority to the Vice-Chancellor, as Chief Executive,

for the academic, corporate, financial, estate and personnel management of the University, whilst recognising the additional accountability of the Vice-Chancellor to HEFCE. Council's scheme of delegation shall be kept under regular review.

- To make such provision as it thinks fit for the general welfare of students, where appropriate through Senate.
- To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life embracing selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- To ensure procedures are in place for handling internal grievances, whistle-blowing and for managing conflicts of interest.

Finance

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

Employment

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

Corporate Governance (continued)

Compliance

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

Responsibilities of Council in the Preparation of the Financial Statements

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

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

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

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

Council has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

Statement on Internal Control

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

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

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

Council is of the view that the University's process for identifying, evaluating and managing its significant risks is embedded into ongoing operations and has been in place for the year ended 31 July 2010 and up to the date of the approval of the financial statements.

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

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

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

We have audited the financial statements of the University of Newcastle upon Tyne and its Group for the year ended 31 July 2010 which comprise the consolidated income and expenditure account, the consolidated and University balance sheets, the consolidated cash flow statement, the statement of consolidated total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of endowment asset investments.

Respective Responsibilities of the Council and Auditors

Council's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Responsibilities of the Council in the Preparation of the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Council of the University in accordance with the Charters and Statutes of the University and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, the Accounts Direction issued by the Higher Education Funding Council for England and United Kingdom Generally Accepted Accounting Practice.

We report to you whether, in our opinion, funds from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England (HEFCE) and with the funding agreement with the Training and Development Agency for Schools.

We also report to you if, in our opinion, the information given in the operating and financial review is not consistent with those financial statements, the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the operating and financial review and the corporate governance section.

We also review the statement on internal control included as part of the corporate governance section and comment if the statement is inconsistent with our knowledge of the University and the Group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Accountability and Audit Code of Practice contained in the Financial Memorandum 2008–19. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and University's circumstances, consistently applied and adequately disclosed.

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

Independent Auditors' Report to the Council of the University of Newcastle upon Tyne (continued)

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2010, and of the Group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, the Accounts Direction issued by the Higher Education Funding Council for England and United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, funds from the Higher Education Funding Council for England and the Training and Development Agency for Schools and grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received; and
- iv. in all material respects, income has been applied in accordance with the University's Statutes, and funds provided by HEFCE have been applied in accordance with the Financial Memorandum (2008–19) with the Higher Education Funding Council for England and any other terms and conditions attached to them, and funds from the Training and Development Agency for Schools have been applied in accordance with the funding agreement with the Training and Development Agency for Schools.

PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors Newcastle upon Tyne 18 October 2010

The maintenance and integrity of the University of Newcastle upon Tyne's website is the responsibility of Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Principal Accounting Policies

In accordance with FRS18 these accounting policies have been reviewed by Council and are considered appropriate to the University's activities.

1. Basis of Preparation

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

2. Basis of Accounting

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

3. Basis of Consolidation

The consolidated financial statements consolidate the results of the University and all subsidiary undertakings for the financial year to 31 July 2010.

Details of the University's subsidiary and associated undertakings, investment in joint ventures and other investments are provided in notes 12 and 13 to the accounts.

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

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

The University Development Trust is a special trust of the University but it is separately registered and accounted for. It has not been consolidated as it has a separate Trustee Board which manages the funds independently of the University. The total assets of the University Development Trust at its year ended 31 July 2010 were £37 million. Its investment income for the period to that date was £0.9 million and the Trust received donations to the value of £0.3 million.

4. Recognition of Income

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

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

Endowment funds are classified as either expendable, where the capital element can be converted into income, or permanent, where the capital element must be permanently maintained. Income from expendable endowments is included in the income and expenditure account to the extent of the related expenditure during the year. Permanent endowments are managed on a total return basis. The entire investment return is included in the income and expenditure account to the extent of the related expenditure during the year.

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

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

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

5. Maintenance of Premises

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

6. Foreign Currency Translation

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

7. Leases

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

Costs under operating leases are charged on a straight-line basis over the lease term.

Statement of Principal Accounting Policies (continued)

8. Tangible Fixed Assets

a. Land and Buildings

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

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

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

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

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

b. Equipment

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

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

Research vessel	– 25 years
General equipment	– 4 years
Equipment acquired for specific research projects	– project life (generally 3 years)
Leased equipment	– period of lease

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

c. Heritage Assets

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

9. Investments

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

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

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

10. Stocks

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

11. Provisions

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

12. Pension Schemes

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

A small number of staff remain in other pension schemes.

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

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

13. Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478–488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

14. Cash Flow and Liquid Resources

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

Consolidated Income and Expenditure Account

for the year ended 31 July 2010

	Note	2010 £m	2009 £m
INCOME			
Funding Council grants	1	120.8	113.4
Academic fees and support grants	2	92.8	81.3
Research grants and contracts	3	85.2	84.5
Other operating income (including share of joint venture)	4	77.1	86.0
Endowment income and interest receivable	5	1.9	4.2
Total income		<u>377.8</u>	<u>369.4</u>
Less: share of income from joint venture	13	(5.3)	(4.0)
Net income		<u>372.5</u>	<u>365.4</u>
EXPENDITURE			
Staff costs	6	198.5	192.9
Other operating expenses	7	144.1	145.8
Depreciation	11	8.3	9.5
Interest payable	8	1.7	1.9
Total expenditure	9	<u>352.6</u>	<u>350.1</u>
Surplus after depreciation of fixed assets at cost and before tax		19.9	15.3
Share of operating profit in joint venture	13	0.5	0.2
Operating surplus		<u>20.4</u>	<u>15.5</u>
Taxation	10	–	–
Surplus after depreciation of fixed assets at cost and tax		<u>20.4</u>	<u>15.5</u>
Deficit for the year transferred to endowment funds	19	(0.9)	(0.7)
Surplus for the year retained within general reserves	20	<u>21.3</u>	<u>16.2</u>

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

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2010

	Note	2010 £m	2009 £m
Surplus after depreciation of fixed assets at cost and tax		20.4	15.5
Appreciation / (depreciation) of endowment asset investments	19	4.4	(0.5)
Net endowments	19	1.1	0.4
Actuarial gain / (loss) relating to the pension scheme	30	6.8	(19.1)
TOTAL RECOGNISED GAINS / (LOSSES) RELATING TO THE YEAR		<u>32.7</u>	<u>(3.7)</u>
Reconciliation:			
Opening reserves and endowments		109.8	113.5
Total recognised gains / (losses) for the year		<u>32.7</u>	<u>(3.7)</u>
Closing reserves and endowments		<u>142.5</u>	<u>109.8</u>

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

Balance Sheets

as at 31 July 2010

	Note	CONSOLIDATED		UNIVERSITY	
		2010 £m	2009 £m	2010 £m	2009 £m
FIXED ASSETS					
Tangible assets	11	221.3	208.5	221.3	208.5
Investments	12	0.1	0.1	0.1	0.1
Investment assets – Joint venture	13				
Share of gross assets		4.1	2.7	–	–
Share of gross liabilities		(4.0)	(3.2)	–	–
		<u>221.5</u>	<u>208.1</u>	<u>221.4</u>	<u>208.6</u>
ENDOWMENT ASSET INVESTMENTS	14	<u>36.9</u>	<u>32.3</u>	<u>36.9</u>	<u>32.3</u>
CURRENT ASSETS					
Stocks and stores in hand		0.1	0.1	0.1	0.1
Debtors	15	32.1	32.3	33.2	32.5
Investments		83.0	71.0	83.0	71.0
Cash at bank and in hand		38.1	15.9	36.6	15.3
		<u>153.3</u>	<u>119.3</u>	<u>152.9</u>	<u>118.9</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(87.1)</u>	<u>(81.4)</u>	<u>(87.0)</u>	<u>(81.4)</u>
NET CURRENT ASSETS		<u>66.2</u>	<u>37.9</u>	<u>65.9</u>	<u>37.5</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>324.6</u>	<u>278.3</u>	<u>324.2</u>	<u>278.4</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	<u>(17.7)</u>	<u>(18.7)</u>	<u>(17.7)</u>	<u>(18.7)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>306.9</u>	<u>259.6</u>	<u>306.5</u>	<u>259.7</u>
PENSION LIABILITY	30	<u>(28.9)</u>	<u>(34.8)</u>	<u>(28.9)</u>	<u>(34.8)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>278.0</u>	<u>224.8</u>	<u>277.6</u>	<u>224.9</u>
DEFERRED CAPITAL GRANTS	18	135.4	114.9	135.4	114.9
ENDOWMENTS					
Permanent	19	27.1	23.7	27.1	23.7
Expendable	19	9.8	8.6	9.8	8.6
		<u>36.9</u>	<u>32.3</u>	<u>36.9</u>	<u>32.3</u>
RESERVES					
General reserve excluding pension liability		134.5	112.3	134.2	112.5
Pension liability		(28.9)	(34.8)	(28.9)	(34.8)
General reserve including pension liability	20	<u>105.6</u>	<u>77.5</u>	<u>105.3</u>	<u>77.7</u>
MINORITY INTEREST		<u>0.1</u>	<u>0.1</u>	<u>–</u>	<u>–</u>
TOTAL FUNDS		<u>278.0</u>	<u>224.8</u>	<u>277.6</u>	<u>224.9</u>

The financial statements on pages 27–47 were approved by Council on 18 October 2010 and signed on its behalf by:

C H BRINK, Vice-Chancellor

P M JOHNSON, Treasurer and Chairman of Finance Committee

R C DALE, Executive Director of Finance

Consolidated Cash Flow Statement

for the year ended 31 July 2010

	Note	2010 £m	2009 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	21	30.7	19.0
Returns on investments and servicing of finance	22	0.6	3.5
Taxation		-	-
Capital expenditure and financial investment	23	4.0	(24.7)
Cash inflow / (outflow) before use of liquid resources and financing		<u>35.3</u>	<u>(2.2)</u>
Management of liquid resources			
– cash increase in short-term deposits		(12.0)	-
Financing	24	(1.0)	(1.0)
Increase / (decrease) in cash in the period		<u>22.3</u>	<u>(3.2)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase / (decrease) in cash in the period		22.3	(3.2)
Increase in short-term deposits		12.0	-
Repayment of debt		1.0	1.0
Movement in net funds in the period		<u>35.3</u>	<u>(2.2)</u>
Net funds at 1 August		68.3	70.5
Net funds at 31 July	25	<u>103.6</u>	<u>68.3</u>

Notes to the Accounts

1 FUNDING COUNCIL GRANTS	2010	2009
	£m	£m
HEFCE recurrent grant	102.2	98.7
HEFCE specific grants	14.2	10.1
HEFCE deferred capital grants released in year		
– Buildings	2.1	1.8
– Equipment	0.7	1.3
TDA recurrent grant	1.4	1.4
TDA specific grant	0.2	0.1
	<u>120.8</u>	<u>113.4</u>
2 ACADEMIC FEES AND SUPPORT GRANTS	2010	2009
	£m	£m
Full-time students	46.3	41.7
Full-time students charged overseas fees	37.2	29.0
Part-time fees	3.0	2.7
Research training support grants	4.7	6.5
Short courses	1.6	1.4
	<u>92.8</u>	<u>81.3</u>
3 RESEARCH GRANTS AND CONTRACTS	2010	2009
	£m	£m
Research Councils	30.2	28.0
UK-based charities	22.5	22.8
European Commission	9.9	10.8
Other grants and contracts	22.6	22.9
	<u>85.2</u>	<u>84.5</u>
4 OTHER OPERATING INCOME	2010	2009
	£m	£m
Residences, catering and conferences	20.3	18.2
Other services rendered	11.5	15.3
Health authorities	13.3	13.2
Other income	32.0	39.3
	<u>77.1</u>	<u>86.0</u>
5 ENDOWMENT INCOME AND INTEREST RECEIVABLE	2010	2009
	£m	£m
Income from permanent endowments (note 19)	0.8	0.7
Income from expendable endowments (note 19)	0.2	0.3
Other interest receivable	0.9	3.2
	<u>1.9</u>	<u>4.2</u>

Notes to the Accounts (continued)

6 STAFF

	2010	2009
	£m	£m
STAFF COSTS		
Wages and salaries	156.2	153.7
Social security costs	13.0	12.9
Other pension costs	29.3	26.3
	<u>198.5</u>	<u>192.9</u>

	2010	2009
	£000	£000
Emoluments of the Vice-Chancellor:		
Salary	195.3	193.7
Pension contributions	45.4	41.6
	<u>240.7</u>	<u>235.3</u>
Benefits in kind	9.0	9.0
	<u>249.7</u>	<u>244.3</u>

	2010		2009	
	Number		Number	
Remuneration of higher paid staff, excluding employer's pension contributions (Clinical staff numbers in brackets):				
£100,000–£109,999	18	(12)	19	(12)
£110,000–£119,999	11	(6)	15	(9)
£120,000–£129,999	14	(9)	15	(10)
£130,000–£139,999	8	(8)	5	(5)
£140,000–£149,999	11	(10)	12	(9)
£150,000–£159,999	12	(10)	10	(10)
£160,000–£169,999	5	(5)	6	(6)
£170,000–£179,999	7	(7)	6	(6)
£180,000–£189,999	4	(4)	5	(5)
£190,000–£199,999	6	(6)	6	(6)
£200,000–£209,999	3	(3)	2	(2)
£210,000–£219,999	2	(2)	1	(1)

7 OTHER OPERATING EXPENSES

	2010 £m	2009 £m
Building maintenance and renewals	15.7	20.4
Student-related expenditure	22.8	19.7
Consumables and laboratory expenditure	17.3	17.4
Staff-related expenditure	16.8	16.4
Non-capitalised equipment purchases and maintenance	16.0	15.7
Heat, light, water and power	8.5	10.9
Residences, catering and conference operating expenses	8.9	7.4
Professional fees	5.5	5.7
Books and periodicals	5.1	4.9
Grants to Union Society (annual subvention and specific grant)	1.5	1.5
Fixed asset impairment	1.4	–
Other expenses	24.6	25.8
	<u>144.1</u>	<u>145.8</u>

Professional services include auditors' remuneration in respect of audit services for the Group of £83,543 (2009: £61,525) and for the University of £50,225 (2009: £47,725). In respect of non-audit services (mainly grant certification work) remuneration amounted to £48,966 (2009: £52,839) for the Group and University.

8 INTEREST PAYABLE

	2010 £m	2009 £m
On loans not wholly repayable within five years	1.1	1.2
Pension finance interest	0.6	0.7
	<u>1.7</u>	<u>1.9</u>

9 ANALYSIS OF 2009–10 EXPENDITURE BY ACTIVITY

	Staff Costs £m	Other Operating Expenses £m	Depreciation £m	Interest Payable £m	Total £m
Academic schools	104.1	26.6	0.6	–	131.3
Academic services	10.6	13.6	–	–	24.2
Administration and central services	21.3	16.4	0.1	–	37.8
Premises	8.8	28.6	4.5	0.3	42.2
Residences, catering and conferences	5.6	10.6	0.7	0.8	17.7
Research grants and contracts	35.8	28.0	1.2	–	65.0
Fixed asset impairment	–	1.4	–	–	1.4
Other expenditure	12.3	18.9	1.2	0.6	33.0
Total per income and expenditure account	<u>198.5</u>	<u>144.1</u>	<u>8.3</u>	<u>1.7</u>	<u>352.6</u>

The depreciation charge has been funded by:

Deferred capital grants released	5.3
General income	3.0
	<u>8.3</u>

10 TAXATION

	2010 £m	2009 £m
United Kingdom corporation tax at 21% (2009: 21%)	<u>–</u>	<u>–</u>

Notes to the Accounts (continued)

11 TANGIBLE ASSETS

CONSOLIDATED AND UNIVERSITY Land and Buildings

	Freehold £m	Leasehold		Equipment £m	Leased Equipment £m	Total £m
		Long £m	Short £m			
COST						
Balance at 1 August 2009	148.6	93.4	3.8	54.2	1.4	301.4
Additions	14.2	5.1	-	3.4	-	22.7
Disposals	(0.2)	-	(0.1)	(0.3)	-	(0.6)
Balance at 31 July 2010	<u>162.6</u>	<u>98.5</u>	<u>3.7</u>	<u>57.3</u>	<u>1.4</u>	<u>323.5</u>
DEPRECIATION						
Balance at 1 August 2009	20.8	18.6	2.5	49.6	1.4	92.9
Charge for year	2.9	1.9	0.4	3.1	-	8.3
Impairment	1.4	-	-	-	-	1.4
Eliminated on disposals	-	-	(0.1)	(0.3)	-	(0.4)
Balance at 31 July 2010	<u>25.1</u>	<u>20.5</u>	<u>2.8</u>	<u>52.4</u>	<u>1.4</u>	<u>102.2</u>
NET BOOK VALUE						
At 31 July 2010	<u>137.5</u>	<u>78.0</u>	<u>0.9</u>	<u>4.9</u>	<u>-</u>	<u>221.3</u>
At 1 August 2009	<u>127.8</u>	<u>74.8</u>	<u>1.3</u>	<u>4.6</u>	<u>-</u>	<u>208.5</u>
Financed by Funding Council capital grants	30.8	64.2	-	0.5	-	95.5
Other	106.7	13.8	0.9	4.4	-	125.8
	<u>137.5</u>	<u>78.0</u>	<u>0.9</u>	<u>4.9</u>	<u>-</u>	<u>221.3</u>

Freehold and long leasehold land and building balances at 1 August 2009 have been restated to reflect a reclassification between these categories.

The impairment relates to land held for commercial development.

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.

12 FIXED ASSET INVESTMENTS

	CONSOLIDATED		UNIVERSITY	
	2010	2009	2010	2009
	£m	£m	£m	£m
Shares in subsidiary undertakings at cost less amounts written off	-	-	-	-
Participating interest at cost less amounts written off	-	-	-	-
Other investments other than loans at cost	0.1	0.1	0.1	0.1
Total fixed asset investments	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>

SHARES IN SUBSIDIARY UNDERTAKINGS

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

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

University membership in companies limited by guarantee:

The Centre of Excellence for Life Sciences Limited

The Russell Group

Newcastle Science Company Limited

Universities UK

Notes to the Accounts (continued)

OTHER INVESTMENTS OTHER THAN LOANS

	Percentage of voting rights %	CONSOLIDATED		UNIVERSITY	
		2010 £m	2009 £m	2010 £m	2009 £m
CVCP Properties PLC	1.3	0.1	0.1	0.1	0.1
North East Seed Capital Fund LP	11.94	-	-	-	-
North East Seed Capital Fund Two LP	4.50	-	-	-	-
		<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>

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

Shares in associated undertakings and other investments held by subsidiary companies are disclosed in those companies' accounts.

13 INVESTMENT IN JOINT VENTURE

INTO Newcastle University LLP is a joint venture between the University and INTO University Partnerships Limited. A 50 per cent share of the LLP's gross assets and liabilities is included in the University's consolidated balance sheet and 50 per cent of its net income is reported in the University's consolidated income and expenditure account. INTO Newcastle University LLP's principal activity is the provision of pre-University education and residential accommodation for international students. At the year end an amount of £261,820 (2009: £120,735) was due to the University from INTO Newcastle University LLP and an amount of £nil (2009: £nil) was due from the University to INTO Newcastle University LLP.

14 ENDOWMENT ASSET INVESTMENTS

	CONSOLIDATED AND UNIVERSITY	
	2010 £m	2009 £m
At 1 August	32.3	33.1
Additions	11.2	16.5
Disposals	(10.8)	(15.6)
Net appreciation / (depreciation) on disposals and on revaluation	4.4	(0.5)
Increase / (decrease) in cash balances	0.1	(0.2)
Decrease in other current asset balances	(0.3)	(1.0)
At 31 July	<u>36.9</u>	<u>32.3</u>
Fixed interest stock and equities	36.9	32.2
Bank balances	1.2	1.1
Due from University	(1.2)	(1.0)
	<u>36.9</u>	<u>32.3</u>

15 DEBTORS

	CONSOLIDATED		UNIVERSITY	
	2010 £m	2009 £m	2010 £m	2009 £m
Trade debtors	14.9	13.6	14.8	13.4
Accrued income on research grants and contracts	11.3	13.5	11.3	13.5
Amounts owed by subsidiary undertakings	-	-	1.2	0.4
Prepayments and accrued income	4.8	4.1	4.8	4.1
Other debtors	1.1	1.1	1.1	1.1
	<u>32.1</u>	<u>32.3</u>	<u>33.2</u>	<u>32.5</u>

Included within prepayments and accrued income is a balance of £1.5m (2009: £1.1m) relating to matched funding which will be paid by HEFCE over the next 2 years, with £0.7m (2009: £1.0m) due after 12 months.

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED		UNIVERSITY	
	2010 £m	2009 £m	2010 £m	2009 £m
Fixed term loans	1.0	1.0	1.0	1.0
Payments received on account	24.7	18.9	24.7	18.9
Creditors	21.3	20.6	21.3	20.6
Social security and other taxation payable	5.0	4.7	5.0	4.7
Accruals and deferred income	35.1	36.2	35.0	36.2
	<u>87.1</u>	<u>81.4</u>	<u>87.0</u>	<u>81.4</u>

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	CONSOLIDATED AND UNIVERSITY	
	2010 £m	2009 £m
Fixed term loans secured on residential and other property repayable by 2029	17.7	18.7
	<u>17.7</u>	<u>18.7</u>

18 DEFERRED CAPITAL GRANTS

	CONSOLIDATED AND UNIVERSITY		
	Funding Council £m	Other Grants and Benefactions £m	Total £m
At 1 August 2009			
Buildings	79.4	31.8	111.2
Equipment	1.2	2.5	3.7
	<u>80.6</u>	<u>34.3</u>	<u>114.9</u>
Amounts receivable			
Buildings	17.7	7.2	24.9
Equipment	-	0.9	0.9
	<u>17.7</u>	<u>8.1</u>	<u>25.8</u>
Released to income and expenditure account			
Buildings	2.1	1.0	3.1
Equipment	0.7	1.5	2.2
	<u>2.8</u>	<u>2.5</u>	<u>5.3</u>
At 31 July 2010			
Buildings	95.0	38.0	133.0
Equipment	0.5	1.9	2.4
	<u>95.5</u>	<u>39.9</u>	<u>135.4</u>

Notes to the Accounts (continued)

19 ENDOWMENTS

	CONSOLIDATED AND UNIVERSITY					
	Unrestricted Permanent £m	Restricted Permanent £m	Total Permanent £m	Restricted Expendable £m	2010 Total £m	2009 Total £m
At 1 August						
Capital	2.6	15.0	17.6	6.7	24.3	23.8
Unapplied return	1.1	5.0	6.1	1.9	8.0	9.3
	<u>3.7</u>	<u>20.0</u>	<u>23.7</u>	<u>8.6</u>	<u>32.3</u>	<u>33.1</u>
New endowments	0.1	0.7	0.8	0.3	1.1	0.5
Transfer out from expendable endowments	-	-	-	-	-	(0.1)
Appreciation / (depreciation) of endowment asset investments	0.5	2.8	3.3	1.1	4.4	(0.5)
	<u>0.6</u>	<u>3.5</u>	<u>4.1</u>	<u>1.4</u>	<u>5.5</u>	<u>(0.1)</u>
Income	0.1	0.7	0.8	0.2	1.0	1.0
Expenditure	(0.3)	(1.2)	(1.5)	(0.4)	(1.9)	(1.7)
	<u>(0.2)</u>	<u>(0.5)</u>	<u>(0.7)</u>	<u>(0.2)</u>	<u>(0.9)</u>	<u>(0.7)</u>
At 31 July	<u>4.1</u>	<u>23.0</u>	<u>27.1</u>	<u>9.8</u>	<u>36.9</u>	<u>32.3</u>
Represented by:						
Capital	2.7	15.7	18.4	7.0	25.4	24.3
Unapplied return	1.4	7.3	8.7	2.8	11.5	8.0
	<u>4.1</u>	<u>23.0</u>	<u>27.1</u>	<u>9.8</u>	<u>36.9</u>	<u>32.3</u>

20 GENERAL RESERVE

	CONSOLIDATED		UNIVERSITY	
	2010	2009	2010	2009
	£m	£m	£m	£m
Balance at beginning of year	77.5	80.4	77.7	80.8
Surplus retained for the year	21.3	16.2	20.8	16.0
Actuarial gain / (loss) on pension scheme	6.8	(19.1)	6.8	(19.1)
Balance at year end	<u>105.6</u>	<u>77.5</u>	<u>105.3</u>	<u>77.7</u>

Impact of FRS17 Retirement Benefits

FRS17 resulted in the following movements:

	CONSOLIDATED AND UNIVERSITY	
	2010	2009
	£m	£m
(Increase) / decrease in staff costs	(0.3)	0.3
Pension finance costs	(0.6)	(0.7)
Impact on the income and expenditure account for the year	(0.9)	(0.4)
Actuarial gain / (loss) relating to the pension scheme	6.8	(19.1)
Increase / (decrease) in total recognised gains and losses for the year	5.9	(19.5)
Pension liability at beginning of year	(34.8)	(15.3)
Pension liability at end of year	<u>(28.9)</u>	<u>(34.8)</u>

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

	2010	2009
	£m	£m
Surplus after depreciation of fixed assets at cost and before tax	19.9	15.3
Depreciation	8.3	9.5
Fixed asset impairment	1.4	-
Profit on disposal of tangible fixed assets	-	(0.4)
Deferred capital grants released to income	(5.3)	(7.5)
Investment income	(1.9)	(4.2)
Interest payable	1.1	1.2
Difference between FRS17 net pension charge and cash contributions	0.9	0.4
Decrease in debtors	0.7	1.2
Increase in creditors	5.6	3.5
Net cash inflow from operating activities	<u>30.7</u>	<u>19.0</u>

22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2010	2009
	£m	£m
Income from endowments	1.0	1.0
Other interest received	0.7	3.7
Interest paid	(1.1)	(1.2)
Net cash inflow from returns on investments and servicing of finance	<u>0.6</u>	<u>3.5</u>

Notes to the Accounts (continued)

23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2010 £m	2009 £m
Purchase of tangible fixed assets	(22.7)	(49.2)
Payments to acquire endowment assets	(11.2)	(16.5)
Total fixed and endowment asset investments acquired	(33.9)	(65.7)
Receipts from sale of endowment assets	10.8	15.6
Receipts from sale of tangible fixed assets	0.2	0.4
Deferred capital grants received	25.8	24.6
Net endowments	1.1	0.4
Net cash inflow / (outflow) from capital expenditure and financial investment	<u>4.0</u>	<u>(24.7)</u>

24 ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	£m
Fixed term loans	
At 1 August 2008	20.7
Capital repayments	(1.0)
At 31 July 2009	19.7
Capital repayments	(1.0)
At 31 July 2010	<u>18.7</u>

25 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2009 £m	Cash Flows £m	Other Changes £m	At 31 July 2010 £m
Cash at bank and in hand:				
Endowment asset investments (note 14)	1.1	0.1	-	1.2
Others	15.9	22.2	-	38.1
	<u>17.0</u>	<u>22.3</u>	-	<u>39.3</u>
Short-term investments	71.0	12.0	-	83.0
Debt due within one year	(1.0)	1.0	(1.0)	(1.0)
Debt due after one year	(18.7)	-	1.0	(17.7)
	<u>68.3</u>	<u>35.3</u>	<u>-</u>	<u>103.6</u>

26 CAPITAL COMMITMENTS

	CONSOLIDATED AND UNIVERSITY	
	2010	2009
	£m	£m
Commitments contracted at 31 July	34.0	22.6
Authorised but not contracted at 31 July	10.9	9.3
	<u>44.9</u>	<u>31.9</u>

27 CONTINGENT LIABILITIES

The University has two nomination agreements relating to student accommodation expiring 2015/16 and 2028/29. The number of nominated rooms shall not exceed 150 and 90 respectively and the charges in respect of these rooms should be fully recovered from student residential income.

The University participated in the Federated Superannuation System prior to the creation of USS. This scheme purchased annuities to provide pensioners with their benefits. However, annuity growth has fallen below inflation and is insufficient to cover the annual guaranteed increase and as a result participating employers are invoiced for the shortfall. The University's contribution for the current year was £31,000 and this will decline in line with a reduction in the number of pensioners.

28 ACCESS FUNDS

	2010	2009
	£m	£m
Balance unspent at beginning of year	–	0.2
Funding Council grants	0.3	0.3
	<u>0.3</u>	<u>0.5</u>
Disbursements	(0.2)	(0.5)
Balance unspent at 31 July	<u>0.1</u>	<u>–</u>

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

29 TRAINING AND DEVELOPMENT AGENCY FOR SCHOOLS

	2010	2009
	£m	£m
Training bursaries:		
Balance unspent at beginning of year	–	0.1
Grant	1.6	1.5
Disbursements	(1.7)	(1.6)
Balance due from TDA at 31 July	<u>(0.1)</u>	<u>–</u>

The above training bursaries from the Training and Development Agency (TDA) are available solely for students in initial teacher training; the University acts only as paying agent. The bursaries and related disbursements are therefore excluded from the income and expenditure account. Minority ethnic recruitment grants unspent at the beginning of the year amounted to £9,000 (2009: £nil), grants in the year amounted to £1,000 (2009: £13,000), £9,000 (2009: £nil) was repaid to the TDA and disbursements amounted to £5,000 (2009: £4,000).

Notes to the Accounts (continued)

30 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 £1.9m (2009: £1.8m). This includes £0.2m (2009: £0.2m) outstanding contributions at the balance sheet date.

The total pension cost for the University was:

	2010 £m	2009 £m
Contributions to USS	22.3	20.2
Contributions to RBP including FRS17 adjustment	5.1	4.3
Contributions to NHSS	1.9	1.8
Total pension cost (note 6)	<u>29.3</u>	<u>26.3</u>
Pension finance interest (note 8)	0.6	0.7
Total pension cost including pension finance interest	<u>29.9</u>	<u>27.0</u>

RBP

RBP is an Exempt Approved Scheme under the Finance Act 1970 and provides benefits based on final pensionable salary; it is established under irrevocable trusts and its assets are kept strictly separate from those of the University. It is a defined benefit scheme. The total pension cost to the University was £5.1m (2009: £4.3m). The contribution payable by the University was 12.25% of pensionable salaries. There were no outstanding contributions at the balance sheet date.

The expected contribution to the plan during the next accounting year is £5.0m.

A full actuarial valuation was carried out as at 1 August 2007 and updated to 31 July 2010 by a qualified independent actuary. The major assumptions used by the actuary were:

	Year ended 31 July 2010	Year ended 31 July 2009
Discount rate at year end	5.45%	5.90%
Expected return on plan assets at year end	6.70%	7.10%
Future salary increases	3.65%	4.40%
Future pension increases	2.50%	2.50%
Inflation	3.15%	3.40%
Life expectancy of current pensioners (from age 65)	22.4	22.5
Life expectancy of future pensioners (from age 65)	23.8	23.4

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

	Value at 31 July 2010 £m	Long- term expected return %	Asset Allocation %	Value at 31 July 2009 £m	Long- term expected return %	Asset Allocation %
Equities	65.7	8.25	51	61.5	8.70	54
Bonds	57.4	4.80	45	48.9	5.00	42
Property	5.7	8.25	4	4.4	8.70	4
Cash	0.2	0.50	–	0.3	0.50	–
Fair value of assets	<u>129.0</u>	<u>6.70</u>		<u>115.1</u>	<u>7.10</u>	
Present value of obligations	(157.9)			(149.9)		
Funded status	(28.9)			(34.8)		
Related deferred tax asset	–			–		
Net pension liability	<u>(28.9)</u>			<u>(34.8)</u>		

30 PENSION ARRANGEMENTS (continued)

Analysis of the amount charged to operating surplus	2010	2009
	£m	£m
Current service cost	5.1	4.3
Interest on obligation	8.7	8.6
Expected return on plan assets	(8.1)	(7.9)
Total operating charge	5.7	5.0
Change in defined benefit obligation	2010	2009
	£m	£m
Opening defined benefit obligation	149.9	132.2
Service cost (including employee contributions)	5.3	4.5
Interest cost	8.7	8.6
Actuarial losses	0.6	12.3
Benefits paid	(6.6)	(7.7)
Closing defined benefit obligation	157.9	149.9
Change in fair value of plan assets	2010	2009
	£m	£m
Opening fair value of plan assets	115.1	116.9
Expected return	8.1	7.9
Actuarial gains / (losses)	7.4	(6.8)
Contributions by employer	4.8	4.6
Contributions by employee	0.2	0.2
Benefits paid	(6.6)	(7.7)
Closing fair value of plan assets	129.0	115.1

USS

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

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

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March are also included in this note.

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

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

Notes to the Accounts (continued)

30 PENSION ARRANGEMENTS (continued)

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

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

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

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding levels at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions. On the FRS17 basis, using a AA bond discount rate of 5.6% based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis was approximately 57%.

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

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and the University had 2,467 active members participating in the scheme.

The total pension cost for the University was £22.3m (2009: £20.2m). This includes £1.9m (2009: £1.7m) outstanding contributions at the balance sheet date. The contribution rate payable by the University was 16% of pensionable salaries.

31 RELATED PARTIES

The University had transactions with a number of organisations which fell within the definition of Related Parties under FRS8 'Related Party Disclosures'. In accordance with FRS8 no disclosure has been made of intra-group transactions and balances eliminated on consolidation. Due to the nature of the University's operations and the composition of its Council (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council or Executive Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. Details of transactions, where material, are shown below.

	(Income)/ Expenditure		Debtor/(creditor) balance		Nature of transaction/ relationship
	2010 £m	2009 £m	2010 £m	2009 £m	
Joint Ventures, Associates and Spin Outs					
INTO Newcastle LLP	(1.8)	(1.6)	0.3	0.1	Fees for student accommodation and other services.
Viratom Limited (in liquidation)	–	(0.1)	–	0.1	Consultancy.
N8 Limited	(0.1)	(0.1)	–	0.1	Northern Way initiative support.
Other Organisations					
Newcastle University Union Society	1.9	1.1	–	0.2	Union Society subvention.
The University of Newcastle upon Tyne Development Trust	(1.6)	(1.4)	–	–	Endowment income distribution.
The Newcastle upon Tyne Hospitals NHS Trust	(11.6)	(7.6)	0.7	0.8	University representation on Trust Board. NHS/academic staff recharges.
Northern Stage (Theatrical Productions Limited)	(0.1)	(0.1)	–	–	University representation on Board. Net accommodation rental income.
International Centre for Life	1.9	1.5	–	–	University representation on Board. Net accommodation rental charges.
Science City	(0.1)	–	–	–	University representation on Board.
Espalier Limited	–	–	–	0.8	Joint venture partner. Demolition costs.
Council and Executive Board Members					
Professor C Day, Medical Research Council member	(7.4)	(6.6)	–	–	Medical Research Council. Human health improvement through world-class research.
Mr S Pleydell, Trust Chief Executive	(0.1)	(0.1)	–	0.1	South Tees Hospitals NHS Trust. NHS/academic staff recharges.
Mr I Shott, Company Chairman	0.1	0.1	–	0.1	The Centre of Excellence for Life Sciences Limited. Net accommodation charges.
Sir Miles Irving, Chairman, NHS Innovations (North)	(0.1)	–	–	–	RTC North Limited. Business services to support economic growth.
Ms L Winskell, Board member (Council member resigned 14 April 2010)	(0.1)	–	–	–	Business Enterprise North East. Development of future businesses.
Mr C J Hilton, Partner in Eversheds (Council member retired 31 July 2009)	–	0.7	–	–	Eversheds LLP. University legal fees.

Council members did not receive remuneration in respect of their service to Council during the year. The amount paid to members of Council in respect of expenses during the year amounted to £4,864.

Five-year Summary

	2010 £m	2009 £m	2008 £m	2007 (a) £m	2006 £m
INCOME					
Funding Council grants	120.8	113.4	119.0	115.4	112.4
Academic fees and support grants	92.8	81.3	67.3	59.1	49.7
Research grants and contracts	85.2	84.5	75.4	65.9	57.8
Other operating income	71.8	82.0	73.4	71.2	63.7
Endowment income and interest receivable	1.9	4.2	7.2	4.9	4.4
Total income	<u>372.5</u>	<u>365.4</u>	<u>342.3</u>	<u>316.5</u>	<u>288.0</u>
EXPENDITURE					
Staff costs	198.5	192.9	180.3	171.8	157.1
Other operating expenses	144.1	145.8	136.8	125.9	111.8
Depreciation	8.3	9.5	10.4	9.2	8.6
Interest payable	1.7	1.9	1.2	1.4	1.4
Total expenditure	<u>352.6</u>	<u>350.1</u>	<u>328.7</u>	<u>308.3</u>	<u>278.9</u>
Surplus after depreciation of assets but before tax	19.9	15.3	13.6	8.2	9.1
Share of operating profit / (loss) in joint venture	0.5	0.2	(0.4)	(0.3)	-
Operating surplus	<u>20.4</u>	<u>15.5</u>	<u>13.2</u>	<u>7.9</u>	<u>9.1</u>
Taxation	-	-	-	(0.1)	-
Surplus after depreciation of assets and tax	20.4	15.5	13.2	7.8	9.1
Deficit for the year transferred to endowment funds	(0.9)	(0.7)	(0.4)	(0.4)	
Surplus for the year retained within general reserves	<u>21.3</u>	<u>16.2</u>	<u>13.6</u>	<u>8.2</u>	
Capital expenditure	<u>22.7</u>	<u>49.2</u>	<u>29.9</u>	<u>11.0</u>	<u>19.4</u>
Net Funds	<u>103.6</u>	<u>68.3</u>	<u>70.5</u>	<u>64.6</u>	<u>45.3</u>

Note:

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



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