Durham University

Inspiring the extraordinary

Durham University

Annual Report and Financial Statements for the year ended 31 July 2019

Durham University

A globally outstanding centre of teaching and research excellence, a collegiate community of extraordinary people, a unique and historic setting – Durham is a university like no other.

We believe that inspiring our people to do outstanding things at Durham enables Durham people to do outstanding things in the world.

So, we conduct boundary breaking research which improves lives across the world. We challenge our students and value a wider student experience that fosters participation and leadership at Durham and beyond. Our supportive approach enables our people to achieve extraordinary things. And our loyal and devoted worldwide community, wherever they go, whatever they do, are always Durham inspired.

We find it easy to be proud of the extraordinary people we have at Durham. We offer the inspiration, they achieve the outstanding.

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Foreword from the Chair of Council

Since my appointment as Chair of Council in October 2018, I have been hugely impressed by the extraordinary achievements of members of the University, especially the enthusiasm of our students to make the most of their time at Durham. The commitment of all colleagues and students to the success of the University is evident and is reinforced in feedback from our alumni.

The inspirational stories in this Annual Report provide examples of the benefits the University delivers to its community, its stakeholders and the world.

The University business model has four distinct and inter-related areas:

- In Research, we support our academic staff, research institutes and partnerships to address world challenges.
- In Education, we focus on providing research-led teaching and using the latest digital technologies to provide an outstanding, transformative education for its students.
- Our wider student experience and distinctive collegiate system provide a vibrant and supportive community to enable students to develop themselves.
- With staff, students, alumni and partners from around the world, we are outward-looking, globally-minded and inclusive.

This report assesses the University's progress in these areas against the targets of the Strategy 2017-2027 and demonstrates positive progress against the backdrop of political and financial uncertainties and environmental threats.

A new set of values were approved by Council in 2019 to define the culture which underpins delivery of the University's business model: responsible, enabling, inspiring, challenging and innovative. We need to embed these values across the University, they need to be reflected across all our processes, training programmes and reviews. Alongside this, a Respect Commission was established to review standards of behaviour to ensure there is a respectful, collegiate and constructive environment for all students and staff.

The role of Council is to provide strategic insight and challenge to the Senior Team to ensure the institution remains well-governed, expertly managed and properly financed. As members and trustees we are actively engaged in all the University's governance committees and strategic working groups and engage with staff, students and alumni through these and at a range of meetings and events.

I would like to thank my fellow Council members for the significant amount of time they give to the University, their insightful contribution and personal support during my first year. I would also like to commend all staff and students for their work and achievements which make Durham an exceptional university.

Mr Joe Docherty
Chair of Council

Welcome from the Vice-Chancellor

Durham is one of the world's great universities and one of the most distinctive. To ensure we retain this position, this past year has seen progress on major projects to enable us to effect change, prepare for external turbulence and make the most of new opportunities.

The sector continues to face a range of challenges, including uncertainties around the funding of post-18 education, the impact of Brexit on the recruitment of staff and students from the EU, as well as access to research funding and partnerships with EU institutions and ongoing discussions regarding the USS Pension scheme.

In setting our Strategy and reviewing our risks, we monitor our challenges and seek opportunities for development. We are especially mindful of the need to make a positive contribution to the world, demonstrate the value we create for our stakeholders and limit our impact on the environment.

The vision outlined in the University Strategy 2017-2027 accordingly aims to build on our strengths in research, education and wider student experience and to make Durham a more significant player in the region, the UK and globally.

Progress during 2018/19 has included further investments in the academic faculty and professional services, changes to our IT and financial structures and efforts to improve our overall size and shape. We have established outstanding new facilities for teaching and learning, sports and wellbeing and student theatre and we continue to build new colleges and a new home for Mathematics and Computer Science. We have also improved our annual planning and student application processes. These and other changes have been achieved while ensuring that we have improved business resilience and strong financial sustainability. We are also working hard to ensure that our new facilities can be widely enjoyed by community members across Durham City, County Durham and the wider northeast.

As the University grows and modernises it will become more diverse. Our student body continues to internationalise and we have agreed a comprehensive access and participation plan to build a more inclusive student body from within the UK. These efforts are complemented by our drive to build a more diverse academic faculty. Like all universities, Durham will change. But we will also continue to embrace the distinction and distinctiveness of Durham University. Durham excels in combining outstanding research and education with a world class wider student experience and this commitment - and the commitment we bring to our values of being Challenging, Enabling, Innovative, Responsible and Inspiring - will guide the University in the years ahead.

As ever, I am proud and inspired by the many extraordinary achievements of our staff and students over the past year, a few of which are illustrated in this report.

Professor Stuart Corbridge
Vice-Chancellor and Warden

Overview and strategy

16
colleges

18,000
students

Introduction

We're an international family of extraordinary people comprising 26 departments across four faculties, with over 4,000 staff and around 18,000 students. All our students belong to one of 16 colleges which support and inspire our students to become the best they can be, in their studies and beyond. Because we hire and develop the most talented academics and thought-leaders, our boundary breaking research makes an impact across the globe.

We offer a broad range of courses covering the Arts and Humanities, Sciences, Social Sciences and Health and Business, and are rated Gold in the UK Teaching Excellence Framework. Our degree programmes are informed by research undertaken by our talented staff in partnership with policy-makers, industry, the public sector and communities around the world. We are a member of the Russell Group of leading, research-intensive UK universities.

Our students get all the benefits of an enabling, supportive and diverse community, which provides a great source of friendship, well-being and pastoral care. Our strong commitment to excellence in sport, music, drama and volunteering means that we offer a host of opportunities and produce outstanding performances in all of these areas.

We care about our local surroundings and work hard to be a good neighbour and one of the best employers in the region.

How we create value

The value model demonstrates how we use our resources to create value for our major stakeholders and contribute to the UN Sustainable Development Goals (SDGs). We use a range of measures to monitor our achievements which are listed in the model, many of which are evidenced throughout the report.

This report takes into account the concepts of the framework developed by the International Integrated Reporting Council (IIRC). We joined the IIRC in 2019 to improve the quality of our reporting and the sustainability of the institution. We are in the early stages of fully adopting the framework to embed integrated thinking and decision-making. This report is our first step and aims to provide a concise communication about how our strategy, governance, performance and prospects, in the context of the external environment, lead to the creation of value over the short, medium and long term.

Value Model

University Capitals

Inputs

People
- Staff
- Students
- Contractors
- Staff development and training
- Pedagogy across broad curriculum
- Research centres, institutes and inter-disciplinary
- Student support
- Durham Inspired Award
- Information/IT systems
- Integrated planning

Knowledge

Buildings & Equipment
- Colleges and houses
- Labs and research equipment
- Offices
- Teaching spaces
- Libraries
- Museums
- Sports and performance centres
- IT and digital technology

Inputs

Natural Resources
- Energy
- Water
- Green campus and Botanic Garden
- Sports ground and river

Partnerships & Networks
- College communities
- Alumni networks
- Student networks
- Community engagement
- Local Council and statutory bodies
- Sector-wide networks
- Research centres and institutes
- Governance structures

Funding
- Students and family members
- Government
- Alumni and donors
- Industry
- Investors

Business Model

Research

Education

Wider Student Experience

Global

Outputs	Measures	Outcomes
Boundary breaking research	Research Excellence Framework (REF), projects, citations	Our research improves lives, expands knowledge and responds to global environmental challenges
An education that is challenging, enabling, research-led and transformative	Graduate numbers, retention, Teaching Excellence and Student Outcomes Framework (TEF), National Student Survey (NSS), league tables, Access and Participation Plan	Our education provides a skilled workforce for employers, with degrees which hold their value over time and facilitates the social mobility of our students
Student societies, activities and events supported through Colleges, Experience Durham and Durham Students' Union	Numbers of societies, student engagement, Longitudinal Education Outcomes (LEO) data, alumni success	Our graduates develop knowledge to understand and change themselves and the world around them, becoming future leaders in their field and good citizens in their communities
Student support services (including financial, physical, emotional)	Student engagement with services, numbers of staff, collaborative networks	Our students are enabled to participate in and enjoy their University experience
Residential accommodation and catering	Room occupancy	Our distinctive College system delivers a sense of community and belonging for students and alumni
Employment	Staff numbers, promotion & progression, awards	Our city and region benefit from the spending power and volunteering of our staff and students and access to sporting and cultural facilities and public events
Economic and cultural contribution to region	BiGGAR report, visitor numbers, events, diversity	
Financial status	Income and expenditure, procurement savings, efficiency savings	Our shrewd financial planning enables us to invest in our service provision and ensure our financial sustainability
Alumni engagement, networks and events	Engagement figures, events, philanthropic income	Our students and graduates benefit from the advice, opportunities, philanthropy and enhanced global reputation provided by our alumni
Use of natural resources and creation of emissions and waste	Carbon reduction, green energy, waste reduction	Our impact on the environment is reduced and biodiversity across the estate is maintained or increased

Stakeholders

- **Students and family members**
- **Staff**
- **Alumni and Donors**
- **Government and Regulators**
- **Research Partners**
- **Industry**
- **Local Community**
- **Investors**

UN Sustainable Development Goals

These are the key sustainable development goals which we are currently focussed on.

Our Purpose

We improve lives and address world challenges to create value for society, the economy and the natural environment through:

- boundary breaking research;
- providing a challenging education supported by a distinctive College environment and a wider student experience to produce graduates capable of fulfilling their potential;
- being globally networked while rooted in the local community.

Vision and strategic goals

Our University Strategy 2017-2027 plans to make Durham better defined thematically and geographically, more globally visible, world-leading in all of our core areas and with a stronger and sustainable business model. We aim to be a forceful voice in national and international affairs and will be widely recognised for our ability to combine innovation and leadership with a strong sense of community and heritage.

Overarching Aims

We are already one of the world's best universities. To achieve our vision for 2027, we will do these three things:

a. produce world-leading and world-changing research across all core academic units;

b. deliver an education that is challenging, enabling, research-led and transformative;

c. provide our students with a wider experience that is as good as any in the world, through our colleges, Experience Durham activities and the Durham Students' Union.

We are also committed to being an active and positive presence for our members throughout their lives: we work hard to establish a culture of affection that binds together past, present and prospective members. We extend these networks of affection and support across the local communities in Durham, in the process engaging, empowering and learning from a wide range of external stakeholders.

Our Values

We introduced new core values in February 2019 which are both aspirational and reflective of who we are and of what brings us together as a community.

We are:

Inspiring

By stimulating an instinct to challenge, encouraging innovative thinking and taking our responsibilities seriously, we foster a culture that inspires the extraordinary.

Challenging

Always curious, we challenge ourselves and each other to answer the big questions and create a positive impact in the world.

Innovative

From creative teaching practices and cutting edge research to new ways of working, innovation is at the heart of what we do.

Responsible

We take our duties as a centre of learning, neighbour and employer seriously, embracing all of our different communities and celebrating the differences that make us stronger together.

Enabling

We create opportunities, support and freedom for everyone at Durham to become the best they can be now, and for the future.

During 2019/20 we will be assessing our performance against these new values to ensure they are understood, owned and enacted by staff and students.

The results from the 150th Anniversary **Alumni Survey** completed by almost

9,000

alumni in 2016

96%

would recommend Durham

91%

are still in contact with friends from their Durham days

"Durham's reputation opened doors"

"The **breadth of experience** gained at Durham, particularly outside my studies, played a key role in my career and early success in finding a job"

74%

agreed their degree was worth the investment in time

69%

agreed that coming to Durham helped them get into the career they wanted

86%

are supporters of Durham

"It was and is still a **well-recognised** and **well thought of** university with employers"

60%

agreed their experience at Durham made them the person they are today

League Tables

League tables provide an assessment of our standing in relation to other Higher Education Institutions (HEIs) and are used by applicants and the wider community to judge performance.

According to the league tables, we are a world top 100 university and one of the top universities in the UK. 18 of our subjects are placed in the world top 100 in the QS World University Rankings by Subject 2019.

Durham University League Table Performance

League Table	2017	2018	2019
Complete University Guide	6th	6th	6th
The Times and Sunday Times Good University Guide	5th	7th	7th
The Guardian	4th	5th	5th
Quacquarelli Symonds (QS) World University Rankings	78th	74th	78th
Times Higher Education (THE) World University Rankings	97th	114th	133rd

Key Performance Indicator	Current (2018/19)	Target (2026/27)
The Times and The Sunday Times Good University Guide	7th	Top 5

Future plans

We plan to grow our student body and academic community to support our strategic goals.

Projected student growth (Headcount): 2015/16 to 2026/27

	2015/16	2016/17	2017/18	2018/19	2026/27	% Growth (2015/16 to 2018/19)	% Growth (2015/16 to 2026/27)
All students	17,500	17,927	18,013	18,707	21,500	**3%**	**23%**

Projected academic staff growth (full-time equivalent): 2015/16 to 2026/27

	2015/16	2016/17	2017/18	2018/19	2026/27	% Growth (2015/16 to 2018/19)	% Growth (2015/16 to 2026/27)
Academic*	1,005	970	965	1,010	1,315	**0%**	**23%**

*Teaching and research' and 'teaching only' academic employment functions.

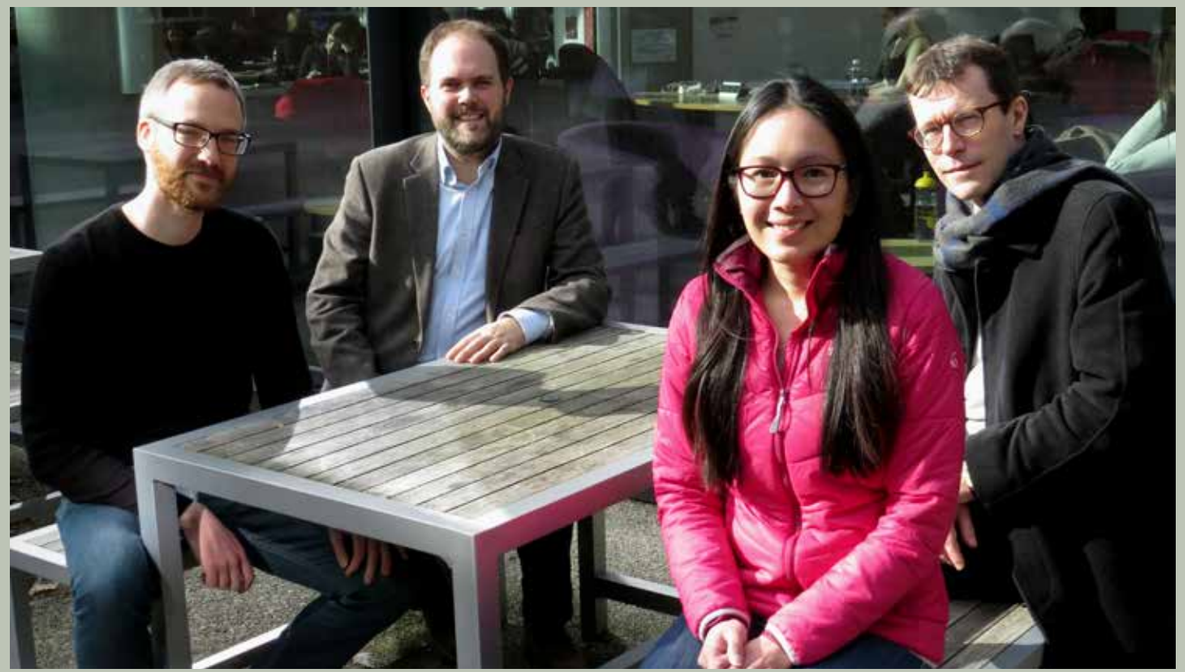
To assist in achieving our objectives we have in place a system of risk management overseen by Audit Committee and Council. The major overarching risks together with key mitigating actions are tabulated below:

Risk	Key Controls
Major turbulence in the macro policy and funding environment	• Brexit Management Group • Active participation in sector groups and networks e.g. Russell Group, and associated lobbying • Core elements of University Strategy to diversify income base, strengthen international engagement, reduce support costs and increase surplus • Modelling of changes to tuition fee regime • Cumulative risk modelling and scenario planning
Insufficient resolve to take forward the major opportunities, key initiatives and level of investment required to achieve the objectives of the 2017-27 Strategy	• Strategic Initiatives Delivery Unit established • Strategy engagement events (e.g. town halls, Strategy summits) • Redefined integrated annual planning cycle • Termly reporting on progress, performance and planning • Reacting to feedback on demand and responding with additional resource where needed
Failure to modernise working practices and to sustain the balance between established operational commitments and the delivery of transformational change required to achieve the objectives of the 2017-27 Strategy	• Changes in local working practices and performance management • Strategy engagement events (e.g. town halls, Strategy summits) • Internal communications and training • Redefined integrated annual planning cycle • Termly reporting on progress, performance and planning • Integrated planning and reporting dashboards • Reacting to feedback on demand and responding with additional resource where needed

In addition to these overarching risks, there are specific risks in each of our key strategic areas which are highlighted in the relevant sections.

This report now moves on to the different areas of the Strategy, examining what has been achieved in the past year and what the future plans are for the University. The position on Key Performance Indicators (KPI) is, where possible, also provided. Most KPI targets are set with the full Strategy timescale in mind, i.e. a target date of 2026/27. Shorter target timescales are stated where these apply.

Operational review



People

Goal

To have across all of our Departments, Research Institutes/ Centres and Colleges faculty members of great distinction who will inspire students, contribute to the public good though their world-leading research and public engagement, and firmly position us as a world-class centre of academic excellence.

What has been achieved

Our continued success relies on the many talents of all our staff. We recognise that to recruit and retain the most talented and motivated staff from around the world, we need to ensure that there is adequate support, training and development provided for all. We also seek input from staff on aspects of the Strategy and various initiatives alongside regular staff surveys to help shape the future direction of the University.

We have revised our recruitment strategy to provide a more robust approach to ensure we are recruiting at the highest standard from a maximised global pool, with a greater focus on EDI (equality, diversity and inclusion).

We have implemented changes to improve our understanding of the workforce and are making more effective use of data to support planning and strategic decision-making.

We have established clear performance benchmarks for all staff to drive consistency and ensure that members of staff can gauge their performance against defined expectations.

We have set up a Commission on Respect, Values and Behaviour to understand people's experience of working and studying at the University. While we believe overall we have a respectful community of people, we want to know where we can improve as well as learn from those who consistently get it right. The Commission is expected to report back on the feedback obtained from staff and students by the end of 2019.

All Professional Services (PS) staff are now eligible to undertake 21 hours of Continuous Professional Development (pro rata). We provide a range of online resources, peer support and staff development programmes. This includes a suite of Institute of Leaderhip and Management programmes and Senior Leadership development.

We run an in-house coaching network supported through a bank of staff who have completed Institute of Leadership and Management qualifications in coaching. A range of training and development workshops and courses are available focussing on the latest issues in equality and diversity.

Our gender pay gap for the year to 31 March 2018, including staff on casual contracts, is 23.77%, a reduction from 25.35% in 2017. We recognise that the gender pay gap is a serious issue for us, as it is across the HE sector and society as a whole. We are committed to addressing this and have established a comprehensive action plan. The plan includes a review of our pay and reward policies to ensure the system is consistently applied, achieving a more transparent and fair distribution of rewards and greater monitoring and support for academic staff through the promotion process, which has already seen increased numbers of female staff progress. An Equal Pay Working Group has also been established to review equal pay matters, including gender pay.

We are committed to all our departments holding an Athena SWAN award, which recognises our good employment practices for advancing the careers of women. Currently all STEMM (Science, Technology, Engineering, Mathematics and Medicine) departments in the university hold an award with Physics and Psychology holding a silver award.

We have implemented more transparent and inclusive policies for flexible working, probation, transgender staff and conference childcare. We have also introduced gender neutral titles within the Job Families framework and a new career structure for professional services staff.

Our occupational health website has been reviewed and updated with more health and wellbeing guidance. We have also rolled out Promoting Positive Mental Health & Reducing Work Related Stress workshops.

We have introduced a revised procedure for managing disclosures or reports involving allegations of staff sexual violence and misconduct that aligns with our student policy.

Future plans

2019/20 will see the implementation of our new Oracle Fusion IT system to improve workforce planning, providing a single source of real time data. This will support more streamlined and efficient ways of working, improved self-service functionality and enhanced management reports of HR data.

Business improvement initiatives and workforce efficiencies continue with the completion of Department and Faculty restructuring and the roll out of the Job Families framework across all Professional Services by December 2019.

During 2019/20 we will continue to enhance career development opportunities and undertake a revision of mentoring arrangements for academic, teaching and research staff and the development of a talent management approach for PS staff.

We have set targets for all science departments to achieve a Silver award and all other departments to achieve at least a bronze award by 2022. (Non-science departments became eligible to apply from 2015.)

We plan to review our internal Health Surveillance programme to ensure we remain compliant with Health and Safety legislation and guidance.

As part of our three year strategy on staff health and wellbeing, we will also review our counselling provision during 2019/20 with a focus on supporting mental health and stress reduction.

Key Performance Indicators	Current (2018/19)	Target (2026/27)
Percentage of Faculty members who are female	37% (23rd in Russell Group)	Top third in Russell Group

Related Risk

Risk	Key Controls
Failure to recruit, develop, retain and reward appropriate quality and quantity of staff in the right roles and areas	• Recruitment processes and probation policy • Annual progression process • Academic career tracks • Improved performance management and workforce planning • Salary benchmarking against UK peers, market supplements, retention packages, start-up resources and enhanced succession planning • Staff development including coaching • New mentoring process • Performance management and workforce planning • Strengthening international alliances and diversity • Institutional Athena SWAN Bronze reaccreditation

Inspiring
Development
Excellence
Wellbeing
Diversity
Equality

Our People

Stonewall DIVERSITY CHAMPION

Athena SWAN

Research and Engagement

Ranked 3rd for citations of UK universities in the QS league table

Goal

To strengthen Durham as an institution in which world-leading and world-changing research and engagement is created and sustained across all core units in the Arts and Humanities, Sciences and Social Sciences.

What has been achieved

We deliver world-leading research and punch far above our weight with the outputs we produce. We are one of the best universities internationally for citations of our research (ranked 3rd of UK universities in the QS league table, excluding London Business School who ranked 1st for this metric but who do not have an institutional rank), meaning that our work is amongst the most highly valued in the UK. We improve the world through our research, particularly in the fields of surface science, energy and clean growth, cosmology and astronomy, heritage and culture, and hazard and risk.

In the QS World University Subject Rankings we achieved our best results to date with three subjects in the World Top 10 – Theology and Religion (5th), Archaeology (6th) and Geography (9th) - ten subjects in the Global Top 50 and a total of 18 subjects in the Global Top 100.

Some key areas of our research are having a positive impact on the environment:

- We are helping to ensure that water is used sustainably, to avoid future shortages, by working with partners including the water industry and the Environment Agency;
- Our research into cleaner energy includes sourcing geothermal energy from former coalmines and reducing the pollution hazard from oil spills;
- We are studying the impact of climate changes on animals and plants, to help society manage ecosystems in the future.

This research supports our contribution to the UN Sustainable Development Goals (SDGs) which has grown significantly over the past year. We have also conducted research projects on unacceptable forms of work and protection for workers (SDG8), neglected tropical diseases and drug discovery (SDG3).

We have created the UK's first Global Challenges Research Fund Centre for Doctoral Training (CDT). The Centre opened with fully funded PhD studentships beginning in February 2019. The CDT will support a cohort of around 20 students working on a specific challenge in one or more of the areas of the UN SDGs with all PhD students coming from a developing nation. PhD projects are interdisciplinary and will be supervised by academic staff from different departments in partnership with a university in an overseas developing nation, and may include collaboration with other organisations too. This will boost our contribution to the SDGs even further.

We have ten Research Institutes which bring together staff to work collaboratively, across departments and with external partners to develop fresh ways of thinking and conducting research. We're delighted that Dr Douglas Halliday, co-Director of the Durham Energy Institute and Associate Professor in our Physics Department, has been appointed to chair the European Universities Association's Energy and Environment Platform (EUA-EPUE). In September 2019, Durham Energy Institute hosted the EUA Energy and Environment 'clustering event' bringing together leaders from European Universities to discuss topics such as energy, transition, education and climate.

We are proud of our people, who are often recognised for the work they do. Earlier this year, Professor Harriet Bulkeley and Professor Alec Ryrie were elected Fellows of the British Academy, the UK's national academy for the humanities and social sciences. Harriet has been recognised for her work on the politics and governance of environmental issues. Her particular area of focus is climate change and the roles that cities, businesses and communities play in responding to this challenge. Alec's research includes the history and effects of Reformation in England and Scotland, and the global spread of Protestant Christianity. The emotional history of religion, and of non-belief, is another area on which his research focuses, looking at the emotional impact of religion, and how this makes it such a powerful force in human life.

The research coming out of our world-leading Physics Department is changing our understanding of the world around us, from the smallest building blocks of matter to the vastness of the universe. So we're very proud that two of our quantum physicists have received prestigious awards from the Institute of Physics, the UK and Ireland's professional body for practicing physicists. Professor Keith Ellis received the Paul Dirac Medal, one of the Institute's premier awards, and Professor Simon Cornish received the Joseph Thomson Medal, the third consecutive time this award has gone to a Durham researcher.

Case study: spin-out business

We encourage and support the commercialisation of research for the benefit of society and the wider economy. One such company founded in November 2018, Magnitude Biosciences, provides an automated service to find healthspan extending drugs faster and more cost effectively than current approaches, using novel technology. Magnitude Biosciences assists the ageing research industry and academic researchers in testing compounds, such as food additives and drugs, to understand how they slow down or accelerate the ageing process. Carrying out ageing research can be challenging because large sample sizes are required to capture the inherent variability in ageing, with the process taking many years to yield results. To tackle this, Magnitude Biosciences tests on nematode worms, called C. elegans, which are tubular-like organisms just about visible to the human eye without magnification. They are an established tool in ageing research due to their short lifespan (two to three weeks) and their size, which allows large quantities to be tested over relatively short study periods.

The company has developed an innovative 'healthspan machine', which uses small, low cost computers each linked to a camera, to monitor large numbers of nematodes under multiple conditions.

Magnitude Biosciences received £150,000 investment from Saker Capital and the North East Innovation Fund, supported by the European Regional Development Fund (ERDF) and managed by Northstar Ventures. Since the beginning of 2019, Magnitude has been delivering customer contracts, expanding facilities, and meeting potential customers around the world. At the same time, an exciting new phase of expansion is being planned to ensure that even more research labs can tap into the productivity and repeatability benefits that Magnitude Biosciences brings.

Future plans

As we move further into the ten year Strategy period we will continue to establish critical mass across the University, with significant growth planned in Mathematical Sciences, Computer Science, Durham University Business School, Law and Engineering.

We understand the transformational nature of interdisciplinary research and during 2019/20 will review our current set of collaborative University Research Institutes, to ensure that they are fit-for-purpose and properly resourced. We will look to build on our contribution to the UN SDGs further with a new Global Strategy which incorporates the SDGs, and with a new high-level group in the University who will take responsibility in order to ensure the SDGs remain a priority for us as an institution.

The 2019/20 academic year will be key to the 2021 Research Excellence Framework (REF) preparations. A mock exercise in 2019 covering publications, impact and research environment, demonstrated that our preparations are significantly further ahead than in previous exercises. It did however highlight several areas requiring extra attention and the relevant academic departments have actioned these throughout summer 2019. A draft submission, with a full and complete assessment of all areas and all ancillary documentation will be conducted. Results of this exercise, due in June 2020, will be accompanied by an analysis of growth across the sector and modelling looking at case study re-profiling (up and down) and the effect on potential income. Alongside finalisation of submission, work will continue on improving quality; publication mentoring, impact development and workshops, supported by new initiatives such as the REF publication discovery tool.

Key Performance Indicators	Current (2018/19)	Target (2026/27)
Citations per academic staff member	3rd in the UK (QS rankings)	Top three in the UK
UK research assessment exercises	9 of 23 units of assessment in top third of Russell Group in 2015 (39% of submission)	All units in Russell Group top third
PhD students per academic staff member	1.58 (2017/18)	2 per academic FTE

Related Risks

Risk	Key Controls
Failure to secure new or maintain/ grow existing research grant and contract funding	• Lobbying (via the Russell Group) to maintain Government funding of UK Research and Innovation • Diversification of research income streams • Research facilitation function • Conference, travel and seminar support • Research pricing policies • Research incentives • Improved PhD and postdoctoral funding

Education

100
Senior Fellows in Higher Education Academy

TEF Gold Teaching Excellence Framework

Goal

To provide outstanding educational opportunities for undergraduates, postgraduates and research students, producing critically and socially engaged graduates of the highest calibre who enrich society through their employability and role as global citizens.

What has been achieved

We have achieved a gold rating in the UK Teaching Excellence and Student Outcomes Framework (TEF), highlighting our outstanding provision. Our students mainly go on to highly skilled employment or further study and whilst at Durham they experience our world-class, research-led education. The latest data confirms that 94% of our graduates are in employment or further study six months after graduating (85% including only professional level employment), rising to 98% after 3.5 years, the highest rate of any UK university (94% including only professional employment).

Because of our distinctive research-led education, our students leave us with important intellectual capabilities, enhanced employment skills and the capacity for independent learning and problem solving. These qualities make our graduates some of the most sought-after in the world. We are confident that we are providing the best teaching, because we rigorously monitor and reward excellence. According to the 2019 National Student Survey (NSS), we have maintained an overall satisfaction score of 85 per cent, once again rating above the national average.

We launched the Durham Centre for Academic Development (DCAD) in August 2018 to bring together all academic development activities across the University. We combine lecturer, student and researcher development in a single unit. DCAD staff work across units to share and embed skills in enhancing learning and teaching, curriculum design and assessment, supporting international and non-traditional students. The Centre has had an incredibly successful initial year. In early 2019 we launched a new Leadership in Learning and Teaching programme, so our staff have the latest student-centred innovative pedagogical thinking and leadership skills.

Engagement with the Higher Education Academy (HEA) remains at one of the highest levels in the Russell Group and by September 2019 we had over 100 Senior Fellows. HEA Fellowship demonstrates a personal and institutional commitment to professionalism in learning and teaching in higher education. Our Scholarship of Teaching and Learning Forum will provide an evidence-based approach to developing teaching innovation.

We're committed to widening participation and ensuring that students from all backgrounds with the merit and potential to succeed are supported to do so. Our Foundation programme provides access to selected undergraduate degree programmes with students coming from a wide variety of backgrounds. The programme supports the participation of under-represented groups in HE and this year we delivered 28 academic pathways to 106 students. We introduced an innovative 'Pre-Offer Selection Day' which uses a unique selection of cognitive and non-cognitive tasks and interviews to identify high potential applicants from socio-economically and educationally disadvantaged backgrounds who may not have traditional merit indicators.

During summer last year we welcomed over 750 students to our pre-sessional programmes. These programmes are aimed at improving English language skills amongst prospective students who have narrowly missed their language condition and others who wish to improve their academic language and literacy skills further. Student performance was strong and the feedback showed very high levels of satisfaction.

We offer a broad range of development opportunities to support and enable our postgraduate research students to achieve their best. We had over 2,000 participants in events in 2019/20 including workshops to support data analysis, thesis writing and communication, research integrity and ethics.

Case study:
Women in Technology

We are tackling the shortage of women in technology, especially those from under-represented groups. Our TechUP programme is giving 100 women the opportunity to retrain in tech with an interview for an internship, apprenticeship or job role at the end of the programme. The programme is open to women with degrees across the North of England and the Midlands. The six-month programme is mainly online with modules including coding, data science, project management, public speaking and cyber security. TechUP is led by Durham in partnership with York, Edge Hill and Nottingham universities and 15 companies in recruitment and technology.

Durham's Professor Sue Black, founder of the first online network for women in tech, has developed TechUP with colleague, Professor Alexandra Cristea.

Professor Sue Black says:"Technology is a massive field that offers job opportunities in so many areas. TechUP is about kick starting a revolution to create awesome female tech role models.

Education and technology have changed my life. Thirty years ago, I was living in poverty as a single parent with three small children. Going back into education at the age of 26 completely changed all of our lives."

Durham has received £500,000 from the Institute of Coding via the OfS to run the TechUP programme.

Future plans

We're always improving and reforming our curriculum as well as our educational offering. We're currently developing a suite of new programmes that will provide an outstanding educational experience for our students. These will focus on interdisciplinary approaches to addressing critical challenges and include opportunities to work with external partners, providing valuable training and experience for our graduates.

We're committed to inspiring our staff to push the boundaries, so towards the end of 2019 we'll be announcing a first round of collaborative innovation grants. These small pots of funding will be available for projects that further develop teaching and learning, and will be rigorously evaluated to create an evidence base of effective approaches across disciplines.

We will also be launching a video development programme in our Education Lab, part of the newly established Teaching and Learning Centre, to support staff in designing and creating effective and engaging video content for their courses.

Our new Access Agreement 2019/20, agreed by the OfS, reaffirms our commitment to widening participation in higher education. We're proud to be investing £11.7m in outreach, student success, progression and evaluation activities over the year. The agreement outlines a number of current initiatives - such as offering summer schools and developing partnerships with regional schools and academies - as well as new initiatives aimed at enrolling students from under-represented backgrounds and supporting them while they are here.

The National Student Survey (NSS) is an independent annual survey that evaluates how satisfied final year undergraduate students are with the quality of their experience at university. The survey impacts on our position in league tables and is reviewed by our regulator. We were disappointed by the 2018 survey results, particularly the fall in Overall Satisfaction to 84.74%, down from 89.48% the previous year. In response, we undertook a review of the factors which may have influenced the results and produced an action plan which was monitored through our annual planning round. The overall satisfaction rate in the 2019 survey improved to 85.1% and there was strong performance in some subject areas. However, the general ratings, while positive, have not been as good as expected and we recognise that some changes will take time to embed. In the meantime we continue to assess the results, share best practice between departments and consult with sector leaders.

Key Performance Indicators	Current (2018/19)	Target (2026/27)
Performance in the National Student Survey	85% overall satisfaction with course (4th decile)	Top decile overall in the UK
Proportion of Durham students working or studying abroad as part of their degrees	10% (2017/18)	25%

Related Risks

Risk	Key Controls
Failure to achieve undergraduate (UG) and postgraduate (PG) student recruitment quality and quantity targets (Home/International/ UG/PG)	• Durham Centre for Academic Development • International Study Centre • Student recruitment and conversion activity • Centralised admissions and customer relationship management • Tackling Brexit issues directly with staff and students • Robust and market-evidenced fee setting process • Redefined annual planning cycle • Development of new programmes

The Wider Student Experience

Goal

To ensure that Durham students enjoy an unrivalled ethos and environment in which to pursue the highest quality of education and student experience, through which they will further develop qualities of independence, self-expression, intellectual curiosity, critical thinking, creativity, entrepreneurship, teamwork, leadership and a strong sense of social citizenship.

What has been achieved

All our students become members of one of our colleges, which provide more than just accommodation. Each of the colleges provides a sense of community that is distinctive to Durham with support from dedicated staff. The colleges provide a place to form lasting friendships and develop teamwork and leadership skills with opportunities to join numerous societies, events and associations

In recent years our record in drama, music and team sports has been unsurpassed in the UK.

Since 2015 the University has enjoyed more success in music and theatre competitions than any other UK university. Rates of participation in student sport are the highest in the UK for both women and men, while Team Durham ensures that the University is consistently the number one team sports university in the UK.

A wide range of volunteering and outreach activities are available to students within their colleges and at University level through schemes such as Student Community Action (SCA), a student-led, community-focused organisation, responding to the needs of the local community, and Team Durham Community Outreach which brings sport into volunteering with the aim of getting the local community more active.

We're proud of how active our students are as volunteers, with 39,000 hours (including colleges, SCA, Team Durham community outreach and music and drama) committed to these activities last year. At the Student Volunteering Week held in February, 300 students participated in 50 separate events, carrying out over 700 volunteering hours.

Support for the development of student leaders occurs through a variety of formal and informal initiatives and is enhanced by elements of the Durham Leadership Academy. Recognising the crucial role of employability skills in student success, we run the Academy to transform world-class students into world-class leaders. Through the programme, students gain access to: personalised one-to-one mentoring from alumni; talks from industry professionals focusing on leadership development; links to a vast alumni network; and resources and training on leadership.

Case Study:
Community Outreach and Sustainability

We want to preserve Durham as a beautiful place to live, work, study and visit. That's why we're encouraging our students to donate belongings they no longer want to good causes, rather than throw them away, as they leave Durham for the summer.

Under the 'Green Move Out' scheme, students can use special purple bags to donate items to local charities. Students contribute unwanted clothes, shoes, bedding, electrical items, pots and pans, crockery, books and non-perishable food, which are re-used, diverted or sold. Over the past 14 years, the scheme has grown from one College to operate across the University and in private accommodation.

Durham County Council, Durham Constabulary and County Durham Furniture Help Scheme provide support, encouraging students to donate items and dispose of their waste correctly; and the Council provide extra refuse and recycling collections across the City.

Last year, 2,870 bags of donated items were collected, £2,000 was raised for local charities and tonnes of waste was diverted from landfill.

Future plans

The Durham Inspired Award, launched in September 2019, aims to promote participation, critical thinking, leadership and citizenship through three zones: Think, Act, Grow. The Award will celebrate and recognise student contribution to the Durham community and provide an opportunity to understand the value of those experiences to enrich their personal and professional development. The Award will be delivered with support from Colleges, the Students' Union and Experience Durham, and is available to any undergraduate student with two years left on their degree programme.

The Durham Leadership Academy will be expanded further in 2019/20, enabling training for up to 800 students at varying levels of challenge and time commitment. This evolution will reflect student feedback and input from the Steering Group. An online toolkit will be launched to support the programme and we are formalising a partnership to deliver the programme in collaboration with the Students' Union.

Up to six new Colleges in Durham City will be created over the course of the Strategy period, ensuring that more than half of the University's students can live in College accommodation.

A new facility for Durham Students' Union will be built helping the Union and Experience Durham to deliver outstanding student services and societies.

Fundraising will be undertaken for a new concert and performance hall that will benefit Durham City and the wider region. The new hall will enable students involved in music and drama to perform at the highest levels within the UK.

Key Performance Indicators	Current (2018/19)	Target (2026/27)
Staff and student volunteering hours	37,660 hours	100,000 per annum
Proportion of students gaining the Durham Inspired Award	n/a	75%

Related Risks

Risk	Key Controls
Failure to provide world-class wider student experience	• College system and Experience Durham • Wider Student Experience Committee • Library and IT facilities • Careers service, counselling, mental health support, disability support • International student support • Sexual Violence and Misconduct operations group • Respect, alcohol and sexual misconduct policies • Catering flexibility project delivery • Domestic violence training for staff • Raising awareness of mental health issues • Colleges planning processes involving student representatives
Failure to maintain and improve existing estate and deliver the University Estate Masterplan	• Operations Board to oversee infrastructure developments • Prioritisation of investments in existing estate underpinned by consolidated condition survey database • Increased budget for backlog maintenance • Effective soft facilities management • Additional programme management capacity • Early engagement with Durham County Council • Engagement with local residents and students • Project governance controls, project management methodology and processes

Global Durham

Goal

To position Durham as a globally networked university that is widely recognised as an outstanding place to study and work and a significant contributor to international research and engagement agendas.

What has been achieved

We highly value the overseas students who join us from around the world. Currently, about 25% of our students are from outside the European Union and we have a growing number of non-UK academic and professional staff.

The Durham University International Study Centre (DUISC) opened in 2017 providing programmes to prepare international students for entry to Durham undergraduate and taught postgraduate courses across a broad range of subjects. During 2018/19, the first students from our innovative Centre completed the initial year of their undergraduate programmes. 394 students completed the DUISC year, 361 went on to UG study with us and 299 of those students have successfully progressed into their second year of study to date.

Our students benefit from a wide range of opportunities to broaden their horizons, with over 240 student exchange programmes under the Erasmus+ and International Exchange programmes. Our partner institutions are spread across the globe from Austria to New Zealand. Almost 400 Durham students every year take the opportunity to spend a period abroad and we welcome more than 300 students to Durham. These programmes offer the chance to travel and experience life in another country, broadening horizons and providing new perspectives. A study abroad experience also gives our graduates the extra edge when taking their first steps into the world of work.

This year, we signed an agreement with China's Palace Museum, bringing together two world-renowned centres of research and cultural excellence for the first time. The agreement is the first between the Palace Museum and an English university. By joining forces, we will be able to bring about advancement in both research and cultural engagement.

Building on our collaborations through the Matariki Network of Universities, we have joined with Uppsala University to strengthen our bilateral ties and have developed a joint seedcorn fund to source and support joint research. Through a competitive process, we now jointly advertise, select and fund research projects.

We have established an office in London, and have policy and engagement functions based there. This is aimed at enabling a number of new partnerships for research and teaching, increasing alumni and donor engagement and raising awareness of Durham nationally and globally.

Case Study:
International Student Perspective

Salama Alkhateri recently completed the International Foundation Year in Science and Engineering at the DUISC and is now studying for a chemistry degree at Durham. She found being an international student an incredible experience, meeting people from different countries around the world, learning about their cultures and languages.

Through DUISC, Salama was supported to become a well-established scientist and to compete at the Chemistry Olympiad, where she was awarded the silver medal. Salama says: "My experience studying at the International Study Centre was valuable. Not only did it prepare me for my chemistry degree at Durham University, but it also helped me grow as an individual. This program also developed my scientific and communication skills that will not only be useful for my chemistry course at Durham but also in my future career."

Future plans

We have an ambitious but achievable aim to increase the proportion of non-UK students to 39%, whilst ensuring a diversity of students in terms of nationality, ethnicity, faith as well as socio-economic background. This will be supported by a range of international scholarships, at undergraduate as well as postgraduate level.

We will further internationalise the curricula of our degrees with a view to increasing the employability of Durham students around the world. A suite of new programmes is being developed, based on robust market data which will appeal more to an international audience.

We will offer all students the opportunity to undertake internships at some point during their course of study. This will have the additional advantage of greater engagement of our alumni in hosting such internships. It will also serve as an opportunity to develop greater and deeper engagement with businesses and industries internationally.

We will seek to develop a number of collaborative international doctoral training centres over the course of the Strategy, modelled on the successful doctoral training with Conacyt (Mexico), amongst others.

We will continue to identify and build mutually beneficial, productive relationships with key international peers, developing partnerships with 5-10 key international peers including, but not restricted to North America, Europe and East Asia. Targeted strategies will be developed for China, North America, Europe and the Global South to incorporate joint teaching programmes, research ventures and funding and alumni relations.

Closer engagement with policymakers and funders in Brussels will ensure that we remain a partner of choice in collaborative funding initiatives post-Brexit.

Study abroad options will be promoted for all students. We will enter into strategic partnerships with targeted international universities for student exchanges with 25% of Durham undergraduate students to undertake study or work abroad during their degree programme by 2026.

We also plan to develop a new suite of opportunities to engage our alumni in continuing professional development opportunities throughout their career, from graduation to retirement and beyond.

Key Performance Indicators	Current (2018/19)	Target (2026/27)
Proportion of international (non-UK) students	32%	39%
Percentage of eligible subject areas in QS World Top 50	10 of 26 relevant subjects, or 38%	50%
Contactable alumni	145,859	185,000

Related Risks

Risk	Key Controls
Failure to create a diverse, equal and inclusive community	• Recruitment and promotion processes • Athena SWAN commitments • Diversity and Equality Advisory Group (DEAG) • Equality and diversity action plan, to address core equalities objectives, aligned with Strategy overseen by DEAG and University Executive Committee • Gender balance and profile discussed with departments during planning process • Active management at departmental level through planning and Faculty support • Internationalisation of curricula • Black and Minority Ethnic (BAME) initiative
Failure to maximise and manage University profile and brand internationally	• Ongoing marketing and communications work supporting student recruitment activity • Active membership of Networks (Coimbra, Matariki) • Development of institutional partnerships • Ongoing work of Global Engagement, supporting individual academic travel and collaboration, and Faculty-level initiatives • Enhanced Arts and Humanities individual research budgets

Accommodation, Estates and Infrastructure

Goal

To enable the University to deliver its Strategy through sustainable investments in physical infrastructure and residential accommodation; by so doing, to create an attractive, world-class environment for staff, students and the wider community.

What has been achieved

We enjoy a wonderful location, set in a unique and historic environment and our estate is arguably one of the most complex and architecturally important of any university in the UK. It has evolved over almost 200 years and includes many old, converted and listed buildings as well as our new purpose-built accommodation. With our Estates Masterplan, we are making significant investments in both refurbishment and new builds to ensure that our estate will provide the best teaching and research environments for our staff, students and visitors.

We opened our refurbished and expanded Sports and Wellbeing Park with state-of-the-art sports facilities and laboratories in July 2019, demonstrating our support for increasing overall levels of student, staff and local community participation in sport and physical activity. This was a fitting end to an academic year in which we were once again the BUCS (British Universities and Colleges Sport) team sport university of the year, and launched our new Department of Sport and Exercise Sciences, building on our reputation as a global leader in the field of academic sport and exercise.

Our new Centre for Teaching and Learning opened in September 2019. It hosts a wide range of learning environments and technologies and encompasses lecture theatres, teaching rooms, an education laboratory where new teaching and training methods can be developed, student learning zones and catering facilities. Outside term time the Centre will host major academic conferences which will support the wider economic impact the University makes to Durham City, County and North East England.

We have recently refurbished the Assembly Rooms theatre, which is home to Durham Student Theatre. The £2.4m, year-long project has made more parts of the venue accessible to wheelchair users and more family-friendly, restored the original ceiling, and refurbished the Box Office area.

Future plans

By 2020/21, we will have a new building to house the departments of Mathematical Sciences and Computer Science. The £40m project will provide state-of-the-art learning, teaching and study spaces. The building has been designed to facilitate greater integration of students and staff, and to further develop synergies between Mathematical Sciences and Computer Science. The scheme also includes an enterprise hub to support student-led innovation.

On 1 August 2019, we established a new Faculty of Business, in support of our vision for the Business School to reach the elite ranks for business education and research. We're planning to relocate this triple accredited Top 50 European Business School. Alongside supporting our plans for expansion we aim to create a world-class learning experience for students, facilitate the delivery of cutting-edge research and enable the staging of business events and conferences that will further raise our profile around the world. The plans will also enhance the Business School's competitive position, support the attraction of diverse high-calibre students, academics and staff, as well as increase business connectivity and collaboration globally.

Also under construction are two new purpose built college facilities; one is a new home for John Snow College, following its relocation from the Stockton campus 22 miles away from Durham. The second is a new college which is due to open in September 2020. Between four and six new colleges are planned throughout the lifetime of the Strategy.

The second phase of estates growth includes new developments for Arts and Humanities departments. The third phase will focus on development at the science site.

Digital and information technology is a vital component of how we work, providing services to prospective students and staff, teaching and learning, research, staff and student communication and efficient business operations. It is also a core vehicle for disseminating the knowledge we create and adding societal value across the world. However, we have not always had the IT facilities and services at the level we require, due to legacy systems and inefficient processes, leading to a technical debt. We have begun to address IT underperformance by tackling three big issues: storage, networks and hosting. We are now developing a new innovative Digital Strategy so that we can deliver first-class IT and digital technology to all of our staff and students.

Key Performance Indicator	Current	Target (2026/27)
Proportion of estate buildings in Categories A and B ('high standard')	63% (2017/18)	85%

Related Risks

Risk	Key Controls
Failure to maintain and improve existing estate and deliver the University Estate Masterplan	• Operations Board to oversee infrastructure developments • Prioritisation of investments in existing estate underpinned by consolidated condition survey database • Increased budget for backlog maintenance • Effective soft facilities management • Additional programme management capacity • Early engagement with Durham County Council • Engagement with local residents • Communications with students
Insufficient IT infrastructure and capabilities to support staff and students and to deliver academic and enabling strategies	• Enhanced data governance: IT Advisory Group and Information Governance Oversight Group established • Implementation plan for cybersecurity agreed • CIO appointed (in post) • Procurement of consultancy advice and external capacity • Service catalogue developed • IT 5 year plan developed • Delivery of 'big 3' issues (storage, networks and hosting) • Investment in Project Manager posts and team lead • Commenced technical debt programme delivery

Environmental Impact

Carbon emissions reduced by

18%

We're working to make Durham one of the most environmentally sustainable universities in the UK. Alongside major investments in our built environment and our teaching and research activities, we have introduced strong environmental policies and procedures. We're working to reduce our carbon emissions and promote increased awareness of environmental issues.

What has been achieved

We have a dedicated environment team, Greenspace, which promotes our environmental policies, plans and procedures, and coordinates environmental activities working with staff and students across the University.

We have strengthened our Energy and Sustainability Team so we can achieve more in this area, and we are working with friends, neighbours and partners to improve the environment we share across our campus and City.

In March 2019, we were proud to sign the Durham County Council 'Single Use Plastic Pledge' committing to significantly reducing, and work towards removing, the use of unnecessary single-use plastics from our operations. We will continue to encourage our students, staff, community partners, and other institutions to do the same.

Following consultation with staff and students, we fully divested from investment in fossil fuel extractive industries in late 2018.

Like other institutions, we are benefiting from the reduction of emissions from electricity due to the growth of green technologies i.e. wind and solar. Our carbon emissions for the academic year 2017/18 reduced by 18% against our baseline year 2005/06, and 7% from the previous year. We achieved this through a variety of measures including investing in low and zero carbon technologies for new and refurbished buildings. We have continued to improve energy and water monitoring through the rollout of automatic meter reading devices, improving the accuracy of our reporting and allowing us to identify and act when we see anomalies in activity and initiate repairs or engage occupants in behavioural change initiatives. We are replacing air conditioning equipment that carries a high global warming potential.

By segregating waste on site we have avoided costs of £71,000 (compared to disposing of all waste in a single container). The biggest saving has come from the segregation of food waste, avoiding costs of £32,000. The Greenspace initiative to encourage central recycling rather than desk bins should help produce further savings. Our target to reduce the number of single vehicle occupancy journeys to 50%, as reported by respondents to our annual travel survey, was achieved in 2017/18, two years early.

- Our Colleges joined in the Love Food Hate Waste competition leading to an overall reduction of food waste of 1,000kg from the previous year.
- We are partners in the Durham city water refill campaign, offering free water in all our catering outlets.
- We obtain our electricity supply from the Blyth Offshore wind farm in Northumberland.
- Our catering service holds the Marine Stewardship Council fish accreditation.
- We promote sustainable travel through our car-share scheme, reduced bus fares and cycling support.

Future Plans

Attention to environmental sustainability will be increased within the research agenda, the teaching curriculum and the Durham Inspired Award scheme.

We will improve governance regarding environmental compliance, reduce our waste, energy and water consumption proportionally against our growth in staff and student numbers, increase monitoring and improve on the biodiversity of our estate, reduce both local and national emissions and pollutants from our travel creating a smart, sustainable approach to the University Strategy and Estates Masterplan. To this effect an Environmental Action Plan and associated KPIs and targets have been developed. This includes a plan to achieve a 30% reduction in general waste per staff/student FTE by 2019/20. Results show we have currently achieved a 22.6% reduction with a figure of 55.2kg per staff/student FTE. We also aspire to achieve a rate of internal recycling of 70% by 2019/20 from our current rate of 41.6%.

We acknowledge that there is more work to do, as in some areas our emissions are increasing such as in fleet and business travel. We are working to improve in these areas. Our Sustainable Travel Plan is currently being revised which will set out new travel targets, all of which will assist a cultural shift and aid reduction of our carbon emissions.

Public benefit

Framework

The University is a charity with an ethos and values based on operating for public benefit. In setting and reviewing the strategic objectives our governing body, Council, acts in accordance with the Charity Commission's guidance on public benefit. In our fundraising activities, we adhere to the Charities (Protection and Social Investment) Act 2016.

The University conducts 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), with the Governance Code of Practice issued by the Committee of University Chairs (CUC) and is respectful of the Financial Reporting Council (FRC) UK Corporate Governance Code.

We support our students

We create the opportunities, support and freedom for everyone at Durham to become the best they can be now, and for the future.

We welcome the most able and motivated applicants, irrespective of background, who can best benefit from a Durham University education. As one of the oldest UK universities, with a strong reputation we request high levels of prior attainment. We also recognise that many applicants have received advantages not provided to others and our reputation may discourage students from non-privileged backgrounds. To address the disadvantage and increase the diversity of our student body, we run a variety of programmes to encourage young people into higher education and provide personal and financial support during their time at Durham.

- We have expanded the number of students on our Supported Progression Scheme, using campus-based programmes and projects to strengthen disadvantaged students to transition from school to university.
- We use contextual admissions to enable students with potential to attend Durham, including varying entry requirements by one or two grades to take account of disadvantage in the context of achievement.
- We signed the Stand Alone Pledge to support students without family support through grants, financial advice, year-round accommodation and a guarantor scheme for private housing.
- We provide a range of grants and bursaries (some donated by alumni) to support students in financial hardship.

We know that students can face a range of challenging situations during their University period and we provide a range of services to support their education and personal development and resilience during this time.

- Our programmes to promote responsible alcohol consumption and support student welfare and wellbeing received the 'Alcohol Impact' accreditation award from the National Union of Students.
- We provide dedicated support for students disclosing incidents of sexual misconduct and violence and run prevention training programmes for staff and students. Our work in this area was highly commended by the Times Higher Education Awards in 2018.
- Our Careers and Enterprise centre was successfully accredited in February 2019 as continuing to meet the 'Matrix external careers guidance quality standard' for its high standard of professionalism and service.
- We have a team of trained and experienced counselling practitioners providing a year-round service to support students. Additional support is provided through our college staff, academic advisors, mentors, chaplains and students.

We are expanding our lecture capture facilities further across the University. This system enables teaching staff to record the audio and digital projector content of lectures which are subsequently made available to students online. The facility provides an additional study aid for learning and revision and is especially helpful for students with particular education needs and conditions and those whose first language is not English.

Community Engagement

We take our duties as a centre of learning, neighbour and employer seriously, embracing all of our different communities and celebrating the differences that make us stronger together.

We are rooted in our local communities and proud of our heritage. Located in a small city, we are aware of our influence and impact on the local residents, businesses and economy. We are working to be seen as welcoming, supportive and making a positive contribution to the economic, social and cultural wellbeing in the region.

We present a wide variety of lectures, concerts and performances for the public and were a major partner in city events during 2018/19 including the Durham Book Festival, Summer in the City Festival, Durham City Run and Durham Pride.

We manage, with Durham Cathedral, the UNESCO World Heritage Site covering the area surrounding the Cathedral and the castle (one of our student colleges) and including teaching rooms, offices and the Palace Green Library.

During 2018/19 we welcomed 460,000 people/school groups to our attractions including:

- Oriental Museum (76,000 visitors) holding collections of art and archaeology from Northern Africa and Asia;
- Botanic Garden (20,000 visitors) encompassing 10 hectares of beautiful gardens, greenhouses, woodland and a small flock of rare breed sheep – which won two Northumbria in Bloom Gold awards in October 2018;
- Palace Green Library (167,500 visitors), housing University archives and special collections from around the world. The galleries provide space to share our treasures, research and stories from the region;
- Durham Castle, a former fortress and palace with magnificent architecture, artworks, silverware and armour. Outside of term time it also provides B&B accommodation and a unique wedding venue.

Our sports centres provide outreach programmes, community clubs and holiday camps for local residents and facilities for full-time senior athletes. This year we also:

- Supported the 'Her World, Her Rules' campaign to promote female basketball with coaching sessions across the region and hosted a basketball festival for 100 girls from local primary schools;
- Hosted a charity football tournament to develop trust between young people and the police;
- Expanded our support for the junior wing of a local hockey club with administrative and coaching expertise.

Our staff and students volunteer with local charities and our programmes are accredited with Investing in Volunteers UK Quality status:

- Children Achieving Through Student Support, a team of 30 student volunteers organise activities and trips for County Durham disadvantaged children aged 6-13;
- Durham Union Society provide coaching and mentoring to vulnerable adults through a debating outreach programme.

Our academic departments run a range of projects with local schools, charities and organisations. Highlights this year include:

- Creating a new piece of art for the University based on discussions between school children and our physics researchers on the big questions of space and time;
- Schools' Science Festival (now in its 20th year) over 800 secondary school pupils visited our labs to conduct experiments aimed at stimulating an interest in science;
- A one-day event for 9-10 year old girls to learn computing coding skills, creativity and team working;
- Welcoming over 60 local science teachers for a training day to consider the latest developments in physics research and new teaching resources;
- Computer Science students worked with six local charities to develop their websites or other digital platforms;
- Teaching Archaeology to adults in care homes, giving older people a chance to learn new things;
- Sociology in Action Week involving workshops on fake news and guided walks around places linked to the history of crime, punishment and justice.

We are working in partnership with residents, students, local businesses and resident organisations to build strong relationships for mutual benefit. A Community Engagement Task Force was established in 2018 to bring together University staff and students, City organisations and residents to develop local solutions to local issues. The Task Force has been looking at our economic contribution, encouraging students to shop locally and nurturing students' sense of belonging in the area. We held our first Community Fun day in June 2019 with over 1,000 visitors joining activities organised by staff and students including, hands-on science, arts, crafts, sports and dancing.

Economic impact

The latest available report from Universities UK on the economic impact of universities calculated that the HE sector generated £52.9 billion Gross Value Added (GVA) contribution to UK GDP in 2014/15. This is a measure of all the economic prosperity that would not happen if universities were not there and includes:

- £21.5 billion of direct expenditure (especially on employees' wages);
- £8.9 billion of indirect impact, which is the value of universities' expenditure on inputs of goods and services from UK suppliers;
- £4.3 billion of indirect impact, which is the value of expenditure by international students and overseas visitors;
- £18.2 billion of 'induced impact' – the multiplier effect of universities, their employees and international students spending in the wider economy – i.e. in stimulating further economic activity and employment in other businesses.

UK universities, together with their international students and visitors, supported £14.1 billion in tax receipts in 2014/15. This total tax contribution is 37% higher than the total UK public funding the universities themselves received in 2014/15.

We commissioned BiGGAR Economics to calculate GVA and were estimated to boost the UK economy by around £1.1 billion each year, noting that £300m of this is through enhanced graduate earning.

Value for Money

We offer opportunities for educational and personal development which provide graduates with the qualities they need to succeed over the course of their lives in a changing and uncertain world. The fundamental value of a Durham education is therefore to be seen in terms of the sustained long term benefits provided to graduates and society.

For students, the value of a Durham degree will be reflected in outstanding opportunities for further study, for salary and for highly-skilled and long-term employment. Exceptional performance in national league tables and international rankings will continue to provide our graduates with significant reputational benefits.

The wider public benefit of the university is reflected in our commitment to enhance social mobility, in the contributions our scholars and graduates make to regional and national economies, and in the community partnerships and engagement of our students, staff and alumni.

Value for money will be enhanced by our ongoing efforts to strengthen the effectiveness and efficiency of our operations, including the development of student-centred processes and the intelligent use of IT systems. This will be complemented by the prioritisation of staff resource in relation to the core academic objectives of the University.

We are committed to actively engaging students as partners and will ensure that they are informed of the costs which they may be expected to incur during their studies. The University's governing body (Council) ensures that value for money is addressed in key institutional decisions, in the scrutiny of proposals for investment, in the annual review of institutional performance, and in seeking assurance on the University's academic, operational and financial management.

Freedom of Expression

Always curious, we challenge ourselves and each other to answer the big questions and create a positive impact in the world.

We promote the right of everyone to freely express views and ideas that are within the law, without fear of interference or persecution, through respectful debate and conversation, to challenge discrimination and build strong, positive communities.

We have a duty to protect free speech and we respect UK law and government guidance in this area as outlined in our Freedom of Expression Policy.

Fundraising

We actively seek donations, sponsorship and legacy gifts from individuals, trusts and foundations, commercial and charitable organisations, and government-related funding streams from all around the world to support research, educational and outreach activities consistent with our charitable mission. Past donations have transformed buildings, supported world-leading research and provided a helping hand to students.

We adopt the Association of Fundraising Professionals Code of Ethical Principles and Standards and are registered with the UK Fundraising Regulator. The Development and Alumni Relations Office leads, facilitates and supports donor cultivation and efforts by University colleagues to engender a professional approach to interactions with donors for the protection of the public.

In line with our fundraising policies, there are written agreements in place with the University's two independent recognised colleges, St Chad's and St John's.

Financial review

This year's results show continued growth as the University implements the 2017 – 2027 Strategy as described in detail above. The focus in managing the University's finances is to plan and deliver long term financial sustainability, specifically by generating cash from operations, maintaining a strong balance sheet and investing in the people and assets that underpin the delivery of our plans.

Income and expenditure have increased in line with expectations and we have seen the successful sale of CEM (Centre for Evaluation and Monitoring) to the University of Cambridge. The earnings before depreciation and the sale of CEM were £40m, consistent with the previous year. Due to a material increase in the estimated deficit on the Universities Superannuation Scheme our pension provision was increased by £79m. This has turned the overall result for the year into a deficit of £55m.

The private placement referred to last year was executed in August 2018 and the £225m has been used partly to repay other loans, partly to fund £99m of capital expenditure in the year and partly invested ahead of being used to purchase assets in future years.

Results for 2019

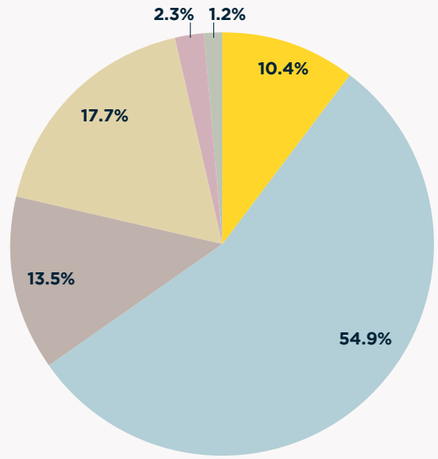
The results for the year are described below:

	2019 £m	2018 £m
EBITDA (earnings before interest, tax, depreciation and amortisation)	**52.7**	47.8
Interest payable	(12.4)	(7.2)
Sale of CEM	15.5	-
EBD (earnings before depreciation)	**55.8**	40.6
Non-cash items		
Valuation of liabilities	(3.9)	4.6
Pension adjustments – actuarial loss	(5.1)	7.7
Net gain on valuation of assets	5.3	0.2
USS Pension provision	(79.0)	-
Impairment adjustment	(4.2)	-
Depreciation	(23.8)	(22.9)
Total Comprehensive (Expenditure) / Income	**(54.9)**	30.2

The 2019 EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) is £5m higher than the prior year and is essential to fund the on-going capital investment programme. EBITDA and EBD are the measures used to report financial results during the year and exclude items deemed to be 'non-operating' or 'non-cash' in nature which are set out separately above. Total Comprehensive Income has been impacted by valuations of assets and liabilities relating to pension scheme accounting and interest rate swaps. The collective impact of these non-cash items in the current year was unfavourable by £110.7m (2018: £10.4m.)

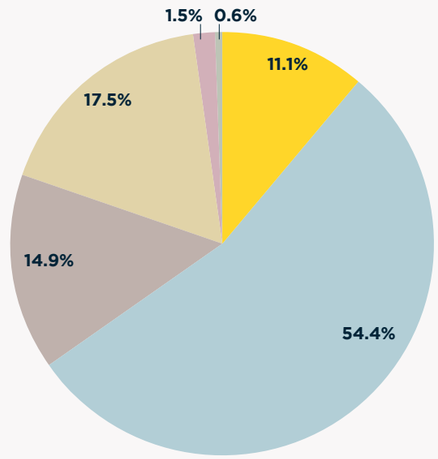
Operating Income and Expenditure

The elements of operating income and expenditure giving rise to the EBITDA reported above were as follows.



Income 2019

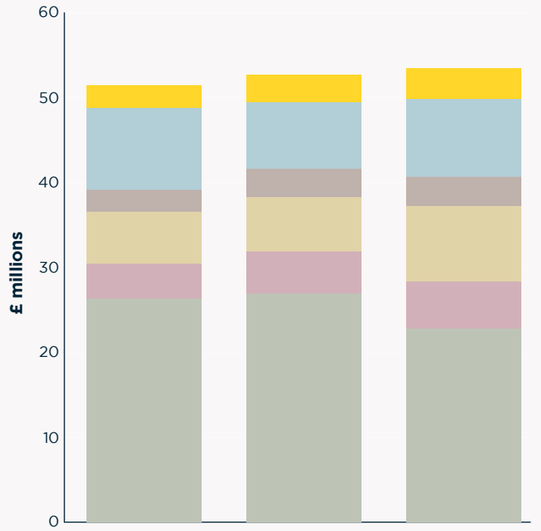
- Funding Council grants
- Other income
- Tuition fees and education contracts
- Donations and endowments
- Research grants and contracts
- Investment income



Income 2018

- Funding Council grants
- Other income
- Tuition fees and education contracts
- Donations and endowments
- Research grants and contracts
- Investment income

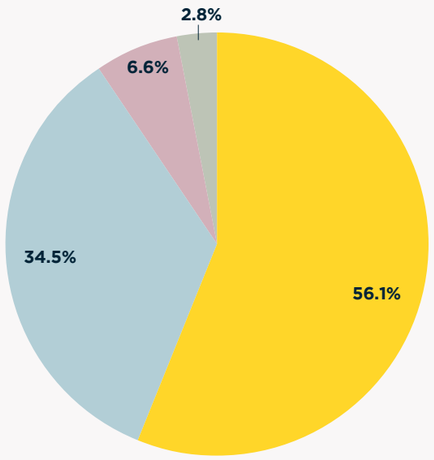
Total operating income, excluding the sale of CEM and valuation of liabilities, increased by 7.7% to £381m. Tuition fee income increased by 8.7% to £209m representing 54.9% of total income and when residence fees are included, income from students represented 64% of total income. The main area of growth in tuition fee income came from full-time international students. Income from research grants decreased by £1.3m, reducing its share to 13.5% of total income.



Research Income Sources

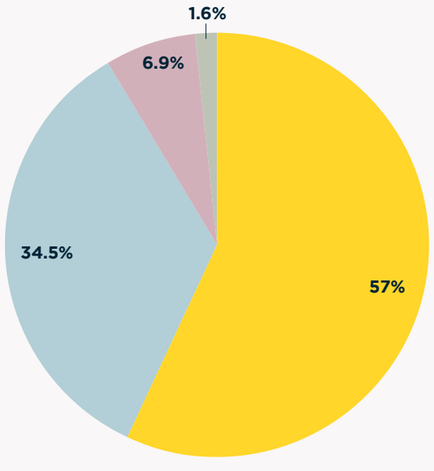
- Other
- UK government bodies
- EU government bodies
- UK-based charities
- UK industry
- UK Research Councils

Total operating expenditure, excluding pensions adjustments, increased by 9.3% to £362m. Depreciation charges increased by 4% and interest payable before accounting adjustments increased by 93.4% reflecting the new loans taken out in August 2018. However, there has been no material change to how operating expenditure is apportioned compared to the prior year.



Expenditure 2019

- Staff costs
- Depreciation
- Other operating expenses
- Interest and other finance costs



Expenditure 2018

- Staff costs
- Depreciation
- Other operating expenses
- Interest and other finance costs

Student numbers

Student numbers have increased in most areas in line with the Strategy.

The following chart presents the change in student numbers over the last three years.

Student numbers	2019	2018	2017
Undergraduate			
Home / EU	**11,742**	11,650	11,662
Overseas	**2,418**	2,018	1,824
Total	**14,160**	13,668	13,486
Postgraduate			
Taught home	**1,058**	1,079	1,171
Taught overseas	**1,586**	1,437	1,451
Research home	**1,000**	985	1,006
Research overseas	**541**	538	574
Total	**4,185**	4,039	4,202
Distance Learning	**362**	306	239
Total	**18,707**	18,013	17,927

Balance Sheet

The value of fixed assets was increased with capital expenditure of £99m exceeding the charge for depreciation of £24m. The capital programme this year has seen further implementation of the University Strategy. Included in the £99m spent on buildings and equipment were the following two material investments:

Project	Value (£m)	Completion date
Teaching & Learning Centre	22.9	September 2019
Maiden Castle Sports Extension and Tracks	18.5	November 2019

Investments rose due to the appreciation of £3.3m in the value of endowment asset pooled funds and the £3.5m increase in value of cash invements made with Sarasin. The value of investments in spin out companies decreased by £0.1m and endowment properties were revalued resulting in a reduction of £1.3m. Debtor balances increased by £0.5m and short term creditors increased by £19m. Long term creditors increased by over £188m comprising the new loans of £225m taken out in August 2018 less repayments of almost £60m of existing loans. The lease was issued under the Mount Oswald arrangements for £19m and revaluation of the end of year liability for interest rate swaps was £4m.

Pension liabilities in respect of USS increased by £79m (see note 22) while liabilities in respect of Durham University Pension Scheme increased by £9m. The staff restructuring provision has been mainly utilised with a sundry balance remaining.

Endowment reserves (see note 23) increased by £8m, primarily through appreciation in the value of investments and new donations of £4.4m. The receipt of new grants and donations, offset by related expenditure, resulted in a net decrease in restricted reserves of £2.3m. General reserves decreased by £60m, due primarily to the £79m increase in the USS provision.

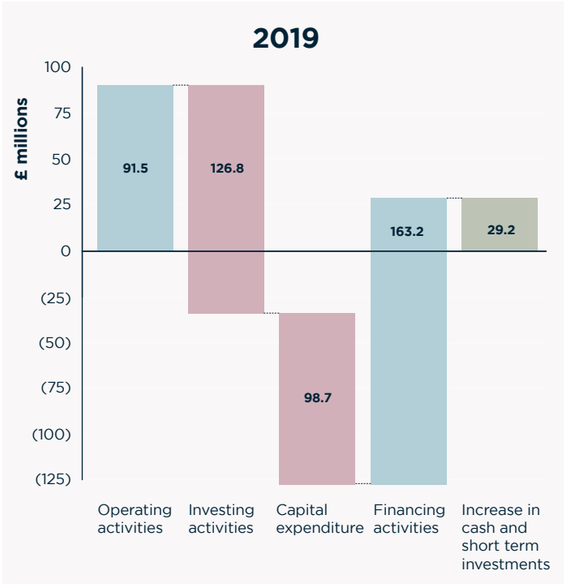
Cash generation, liquidity and financing

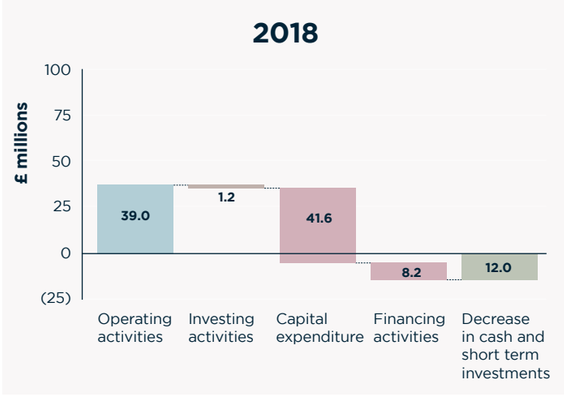
Short term cash deposits

Short term cash deposits increased in the year by £40m to £80m.

Cash balances

Cash balances increased by £29m to £108m. The following waterfall charts compare the sources and applications of operating cash generated for 2019 and 2018.





Debt collection continues to be vigorously pursued, but debts written off in the year were £201,000 (2018 £96,000).

Total cash and current asset investment balances increased by £69m in the year to £188m. £108m is held in cash with a further £80m in current asset investments. (2018: £79m was in cash and £40m in investments).

There is a longer term investment fund, principally for endowments, which operates with agreed asset allocations and returned 10.79% during the year (total of income and capital appreciation) which was in line with its benchmark. £90m of the £225m placement has been invested into longer term funds and had yielded £3.5m by 31 July 2019.

Capital expenditure during the year has been funded by grants, internally generated funds, benefactions and loan funding. The £225m private placement contracts were signed in August 2018 and the sums were drawn down at the end of the month. The Revolving Credit Facility remains at £25m to support in-year working capital requirements, if it should prove necessary.

Monitoring financial performance

The key performance indicators by which financial performance is measured focus on the generation of cash from operating activities, (EBITDA rather than operating surplus), as well as compliance with borrowing covenants, (commercial targets set by the bank); and staff costs as a percentage of income, (less than 55% of income). All these measures are monitored throughout the year and have been maintained within their target range.

Outlook

The financial pressure on universities is increasing and there is significant uncertainty regarding the future tuition fee regime, pending the review of post-18 education and funding. Brexit adds further uncertainty in relation to EU student numbers and fees, the immigration regime and research funding. The current situation as regards the USS pension has created additional staff cost and this is being kept under review. The immediate future is secure as recruitment to the University for the 2019/20 academic year has confirmed the attractiveness of Durham as a place to study and obtain a degree that is sought after by major employers. We have undertaken assessments of cumulative risk exposure and will continue to model alternative scenarios to ensure that development plans remain affordable.

Governance

Framework

Durham University was founded in 1832 by Act of Parliament. Its legal status derives from a Royal Charter dated 1837 and the Universities of Durham and Newcastle upon Tyne Act 1963 when King's College became the independent University of Newcastle. It is also a charity exempt from registration under Schedule 3 of the Charities Act 2011. It was previously regulated by the Higher Education Funding Council for England (HEFCE), replaced by the Office for Students (OfS) from 1 April 2018. The University was approved as a registered provider of higher education by the OfS in September 2018.

The University's objects, powers and framework of governance are set out in its Charter and Statutes, the latest version of which were approved by Privy Council in July 2011.

The University receives the majority of income from student fees and competitively won grants with a small proportion from public sources. The terms and conditions for receipt of public funds are established in guidance produced by HEFCE/OfS.

As a charity, the University must operate for the public benefit. In setting and reviewing the University's strategic objectives the University governing body, Council, acts in accordance with the Charity Commission's guidance on public benefit. In its fundraising activities, the University adheres to the Charities (Protection and Social Investment) Act 2016.

The University conducts 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), with the Higher Education Code of Governance issued by the CUC and is respectful of the Financial Reporting Council (FRC) UK Corporate Governance Code.

The University's governance and management system:

- Ensures there is proper governance of the University and management is supported to deliver the University Strategy;
- Reflects good practice in higher education and other relevant sectors;
- Ensures proper checks, balances and transparency in decision-making to provide appropriate assurance to funders and stakeholders;
- Supports the management of risks while maximising value for money;
- Safeguards the long term interests and sustainability of the institution.

The University's governance framework and management arrangements as described below aim to support delivery of the University Strategy 2017-27 and be responsive to the dynamic external operating environment. The effectiveness of our governance and management arrangements is regularly evaluated through routine annual review and periodic in-depth internal and external review. External reviews of Council Effectiveness in 2010 and 2016 both confirmed that we meet the obligations of the Higher Education Code of Governance.

Management

The principal academic, administrative and Accountable Officer of the University is the Vice-Chancellor, who is responsible to the governance committees (Council and Senate) for the overall strategic direction and performance of the University. As Warden, he has overall responsibility for Durham's colleges. He is supported by a senior leadership team that is driving forward the University Strategy.

The University Secretary is responsible for the University's overall governance, assurance and legal compliance and reports directly to the Chair of Council and the Vice-Chancellor.

The Chief Financial Officer is responsible for all aspects of the University's Financial Strategy, including financial planning and reporting, treasury investment, procurement and value for money.

Governance Committees

The University conducts its business in a fair, proper, transparent and ethical manner, having regard to the values of the University and the Seven Principles on Standards in Public Life set down by the Nolan Committee.

Council is the governing body and Trustee Board of the University with overall responsibility for its affairs and sustainability. It is responsible for taking appropriate steps to advance the interests of the University, maintaining its efficiency and encouraging the prosecution of learning and research in the University.

Council monitors the adequacy and effectiveness of arrangements for corporate governance, risk management and oversight of any statutory and other regulatory responsibilities including compliance with the OfS's ongoing conditions of registration and any terms and conditions of funding.

A major review of Council's effectiveness was carried out in 2016 by external consultants, the Good Governance Institute (GGI) which concluded that overall the University met its obligations under the CUC HE Code of Governance. Actions to strengthen and modernise its governance were identified and are being progressed.

Joe Docherty is the Chair of Council. Joe is a Trustee of the Esmee Fairburn Foundation, which funds the charitable work of organisations focusing on the Arts, Children and Young People, the Environment and Social Change.

Members of Council are the charity trustees of the University. The majority (thirteen), including the Chair, are lay members drawn from outside the University. There are seven appointed members of University staff and five ex-officio members including two student representatives. The Council's

gender balance during 2018/19 was 60/40 male to female. Actions are being taken to broaden its ethnicity.

Lay members do not receive payment for the work they do for the University, but may claim reimbursement of reasonable expenses which are disclosed in the financial statements. A Register of Interests of all Council members is retained by the University Secretary to help avoid conflicts of interest or loyalty.

The appointment process for members of Council is overseen by the Governance and Nominations Committee which ensures there is an appropriate mix of skills and experience to enable Council to fulfil its responsibilities. A skills register of all Council members is maintained by the University Secretary. Lay member vacancies are advertised externally and independent search companies are used to widen the pool and diversity of candidates. Staff member vacancies are advertised widely in the University community.

An induction programme is provided to new members and all members receive ongoing development training through presentations to Council on topical issues and from external providers such as Advance HE.

Lay Council members are encouraged to get involved in other aspects of University life to cultivate a wider understanding of the University and engage with stakeholders. This includes such activities as reviewing student academic appeals, joining recruitment panels for senior posts, Convocation (meetings with alumni) and graduation ceremonies.

During 2018/19 Council met on six occasions. The minutes of meetings are published on the University website. In delivering its responsibility for setting the strategic direction of the University, Council has: reviewed progress in delivering the Strategy, now in its third year; discussed an analysis of the external context and the challenges and opportunities this presents; and agreed a baseline report of performance indicators to monitor strategy delivery.

Council also agreed a new set of University Values, noting how these would be implemented across the University; a revised Global Strategy; a number of capital project cases to deliver the initial phases of the Estates Strategy; a Durham Maths School initiative which will assist in delivering the Education Strategy and the University's widening participation objectives; and reviewed progress in delivering the People Strategy.

Council oversaw the University's operational performance including a review of preparations for the Research Excellence Framework (REF) 2021; analysis of performance and actions in response to student surveys; approval of a new Student Consultation Framework to ensure the student voice is heard in all new initiatives; and a progress report on Equality, Diversity and Inclusion.

Council approved a number of governance and compliance matters including the: Annual Accountability Return; Access and Participation Plan; Modern Slavery Statement; and review of student non-academic misconduct procedures and discipline regulation.

Council held its annual meeting with Senate in February focussing on curriculum reform.

Mr David Evans, Postgraduate Academic Officer, Durham Students' Union was invited to meetings as an attendee during 2018/19. The University Secretary and Chief Financial Officer also attend all Council meetings.

Council Membership and meeting attendance record

Membership 2018/19	Members	Meetings attended					
		Council	Audit Committee	Finance Committee	Governance and Nominations Committee	Remuneration Committee	University Strategy Implementation Committee
Ex-officio members							
The Chancellor	Sir Thomas Allen	n/a					
Vice-Chancellor	Professor Stuart Corbridge	6/6		7/7	2/3		4/4
Deputy Vice-Chancellor	Professor Antony Long	6/6		4/7			
Dean of Durham	The Very Reverend Andrew Tremlett	4/6					
President of Durham Students' Union	Mr George Walker	6/6		5/7	3/3		3/4
Lay members							
	Mrs Joanna Barker (Vice-Chair)	6/6		7/7			
	Mr Jonathan Bewes (from November 2018)	3/4		2/2			
	Ms Kay Boycott (from November 2018)	3/4	3/3				
	Ms Alexis Cleveland (Vice-Chair)	5/6	7/7		3/3	3/5	3/4
	Mr Joe Docherty (Chair)	6/6		6/7	3/3	4/4	
	Mr James Grierson	6/6		7/7			4/4
	Mr Steven Harman	5/6	1/3				
	Mrs Alison Hastings	3/6	1/1		1/2	4/5	
	Mrs Susan Johnson	4/6	6/7		3/3		
	Mrs Jill May (until November 2018)	1/2	2/3		n/a		
	Mr Nigel Perry	5/6				4/5	2/4
	Dr Kate Pretty	6/6		7/7		5/5	4/4
	Mr Terry Toney (from November 2018)	4/4					0/2
Appointed members of University staff							
	Professor Catherine Alexander	4/6					4/4
	Professor Mike Bentley	5/6		6/7			
	Dr Camila Caiado	6/6			2/2		
	Mrs Caroline Dower	5/6					
	Professor Joe Elliott	6/6					
	Professor Colin Macpherson	6/6		6/7			
	Dr Amir Michael (from November 2018)	4/4					

The work of Council is supported by a number of committees which exercise delegated authority in accordance with terms of reference approved by Council and published online and whose decisions and recommendations are formally reported back to Council. In order to provide greater transparency of its decision-making, Council agreed to publish online the minutes of its sub-committees from 2019.

Senate provides assurance to Council on academic quality and standards. It is responsible for promoting, directing and regulating teaching and research, key components of our business model. It is supported by specialist committees including the Education, Research and Wider Student Experience Committees. Senate membership is drawn from across University staff plus representatives from Durham Students' Union and is chaired by the Vice-Chancellor. A major review of the effectiveness of Senate was carried out in 2014/15 by a task group comprised of staff and students and outcomes have been progressed.

Audit Committee is responsible for providing assurance to Council on the adequacy of the University's arrangements for risk management, control and governance; economy, efficiency and effectiveness; and the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies. The Committee is advised of any incidents which may impact on the performance of the University and ensures management takes appropriate action to mitigate risks.

It advises Council on the appointment and performance of the internal and external auditors, agrees the audit programme and sets the policy on the use of auditors for non-audit work. The internal and external auditors and senior University staff attend meetings as necessary.

The external and co-sourced internal auditors are appointed by Council, on the recommendation of Audit Committee, following a tender exercise. There has been no change in audit providers during 2018/19.

The Committee considers elements of the annual financial statements including the auditors' formal opinion, the statement of members' responsibilities, corporate governance statement and internal control, and risk management statements. No significant issues were identified in relation to the financial statements for the year ended 31 July 2019.

Audit Committee Membership 2018/19	
Lay members	
	Ms Kay Boycott (from February 2019)
	Ms Alexis Cleveland (Chair)
	Mr Steve Harman (from February 2019)
	Mrs Alison Hastings (until October 2018)
	Mrs Susan Johnson
	Mrs Jill May (until November 2018)
Co-opted members	
	Mr Martin Cocker
	Mr Grant Evans

Finance Committee advises Council on the financial position of the University and recommends to Council the annual financial statements (financial aspects), budgets and financial forecasts. It plays an important role in ensuring the long-term sustainability of the institution through approving the University's policies on investment and borrowing, monitors implementation of the strategy for the estate, appropriate exploitation of intellectual property and reviews fundraising activities. It also monitors the effective and efficient procurement and use of resources in accordance with the objectives of the University.

Finance Committee Membership 2018/19	
Ex-officio members	
Chair of Council	Mr Joe Docherty
Vice-Chancellor	Professor Stuart Corbridge
Deputy Vice-Chancellor	Professor Antony Long
President of Durham Students' Union	Mr George Walker
Members of Council	
	Mrs Joanna Barker (Chair)
	Professor Mike Bentley
	Mr James Grierson
	Professor Colin Macpherson
	Dr Kate Pretty
Co-opted members	
	Mr Jonathan Bewes (from February 2019)

Governance and Nominations Committee is responsible for keeping under review and advising Council on the University's governance arrangements, ensuring the University pursues governance good practice and complies with external governance requirements. It regularly reviews the role description for Council members, oversees a systematic and transparent selection process and makes recommendations to Council for the appointment and succession planning of members for Council and its committees. It is responsible for ensuring there is an appropriate mix of skills, knowledge and experience to enable Council to fulfil its responsibilities. It reviews annually the Council Register of Interests, develops processes for the periodic review of Council's effectiveness and implements approved recommendations.

The Committee receives reports on the University's compliance in relation to governance codes and OfS registration and advises Council on these matters.

During 2018/19 GatenbySanderson Ltd were contracted to assist with the recruitment of new lay members to commence during the year. Audeliss were contracted for the recruitment of lay members for the 2019/20 academic year. Both companies are independent of the institution and its governors.

Governance and Nominations Committee Membership 2018/19	
Ex-officio members	
Chair of Council	Mr Joe Docherty (Chair)
Vice-Chair of Council	Ms Alexis Cleveland
Vice-Chancellor	Professor Stuart Corbridge
President of Durham Students' Union	Mr George Walker
Lay Members of Council	
	Mrs Alison Hastings (from May 2019)
	Mrs Susan Johnson
	Mrs Jill May (until November 2018)
Staff member of Council	
	Dr Camila Caiado (from December 2018)
Senior members of staff	
	Professor Robert Holdsworth
	Professor Kiran Fernandes
Co-opted members	
	Professor Gillian Bentley

Remuneration Committee oversees the framework for the annual review of the remuneration of senior staff (Executive Committee members, University Secretary, Vice-Chancellor, professors and equivalent level senior posts within the Grade 10 pay range). It does this in line with its policy to encourage enhanced performance and reward staff for their contribution to the success of the University in a fair and responsible manner. Decisions take account of reliable information sources (Universities & Colleges Employers Association (UCEA) Senior Staff Recruitment Survey; UCEA Senior Salary Survey; the annual CUC survey of Vice-Chancellors remuneration) as well as the public interest, the safeguarding of public funds, the University's interests and the need to remain competitive. Cognisant of the use of public funds, it also oversees approval of any termination arrangements for senior staff. The remuneration of the Vice-Chancellor is determined in the context of the size and turnover of the University, its contribution locally, nationally and internationally and its place within the HE sector and the Russell Group. Note 7 of the Financial Statements provides further details of the remuneration of the Vice-Chancellor and senior staff.

During 2018/19 the Committee commenced new work to achieve full compliance with the CUC Higher Education Senior Staff Remuneration code and will continue this work during 2019/20. Its work has included the development of a University pay policy and enhanced clarity on setting of Executive objectives and assessment of performance.

In so doing the Committee sought expert external benchmarking advice from Korn Ferry on the assessment of executive salaries and performance monitoring. The Committee also receives internal reports on matters such as professional pay levels and decisions on merit awards and equal pay and pay gap analysis.

Remuneration Committee Membership 2018/19	
Ex-officio members	
Chair of Council	Mr Robert Gillespie (until October 2018)
Chair of Council	Mr Joe Docherty (from October 2018)
Member of Audit Committee	Ms Alexis Cleveland
Lay Members of Council	
	Mrs Alison Hastings
	Mr Nigel Perry
	Dr Kate Pretty (Chair)

University Strategy Implementation Committee provides strategic oversight and scrutiny of progress in implementing the University Strategy 2017-2027 to give assurance to Council.

University Strategy Implementation Committee Membership 2018/19	
Ex-officio members	
Vice-Chancellor	Professor Stuart Corbridge
President of Durham Students' Union	Mr George Walker
Members of Council	
Member of Finance Committee	Dr Kate Pretty (Chair)
Member of Audit Committee	Ms Alexis Cleveland
	Mr James Grierson
	Mr Nigel Perry
Member of Staff	Professor Catherine Alexander
Co-opted member	
	Mr Terry Toney (from February 2019)

University Ethics Advisory Committee is a joint committee of Senate and Council and chaired by a lay member of Council. It is responsible for fostering an environment in which ethics and integrity are firmly embedded in the University's ethos and culture. It provides advice on the development of institutional policies and guidelines relating to ethical issues arising from research and advises on other ethical issues as requested.

University Executive Committee is a joint committee of Senate and Council and chaired by the Vice-Chancellor. During 2018/19 the other members were the Deputy Vice-Chancellor, the seven Pro-Vice-Chancellors and the Chief Financial Officer. The University Secretary is in attendance at all meetings. The Committee oversees the development and delivery of the University Strategy and monitors the achievement of its performance objectives. It coordinates the University's integrated planning and budgeting process and recommends the annual budget and financial forecasts, manages key risks and makes recommendations to Senate and Council on important policy initiatives.

Statement of the Council's Primary Responsibilities

1. To approve the mission and strategic vision of the University, long term academic business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. Subject to the powers of the Senate, to be responsible for the organisation of teaching and research, including the organisation of Faculties, Boards of Studies and other groupings, the appointments of the Deputy Vice-Chancellor, Pro-Vice-Chancellors, Heads of Departments (Chairs of Boards of Studies), and the prescription of the dates when the Michaelmas, Epiphany and Easter Terms begin and end.
3. To appoint the Vice-Chancellor as Chief Executive of the University and Accountable Officer, and to put in place suitable arrangements for monitoring his/her performance. The Council is responsible for the removal of the Vice-Chancellor for good cause.
4. To delegate authority to the Vice-Chancellor, as Chief Executive, for the effective academic, corporate, financial, estate and human resource management of the University.
5. To establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Vice-Chancellor.
6. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and clear procedures for handling internal grievances and for managing conflicts of interest. Council is responsible for the appointment of the University's external auditors.
7. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which shall, where possible and appropriate, be benchmarked against other comparable institutions.
8. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself and the University's system of governance.
9. 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.
10. To safeguard the good name and values of the University and to be responsible for the ethical governance of the University.
11. To appoint the University Secretary as Secretary to Council.
12. To be the employing authority for all staff in the University and in the maintained Colleges and Societies and to be responsible for establishing a human resources strategy and, subject to the powers of the Senate, for the maintenance of discipline.
13. To be the principal financial and business authority of the University including:
    - a Ensuring that proper books of account are kept; approving the annual budget, financial statements and financial forecasts; establishing budget centres within the University for the efficient management of resources and appointing Budget Officers for each budget centre; the approval of fees;
    - b Having overall responsibility for the University's assets, property and estate.
14. To ensure that there are adequate and effective arrangements in place to ensure public funds are managed appropriately, in line with the conditions of grant and the principles of regularity, propriety and value for money, and to protect the interests of taxpayers and other stakeholders, including providing transparency about value for money for students and for taxpayers.
15. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name. Council is responsible for making regulations for the custody and use of the common seal of the University and for representing the University in all negotiations for obtaining grants from public bodies in aid of the work of the University.
16. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
17. To consider the University's performance in relation to Equality, Diversity and Inclusion.
18. To take such steps as are reasonably practicable to ensure that freedom of speech within the law is secured within the University.
19. To receive and test assurance that academic governance overseen by Senate is adequate and effective.
20. To ensure that all students have opportunities to engage with the governance of the University and that this allows for a range of perspectives to have influence.
21. To be responsible for receiving assurance that adequate provision has been made for the general welfare of students. Subject to the powers of the Senate, to be responsible for the regulation of the relations between the Council and the students, and for the maintenance of student discipline.
22. To be responsible for effective planning, ongoing control, monitoring and review of the University's health and safety management mechanisms.
23. Subject to the provisions of the Statutes, to be responsible for the recognition of the recognised Colleges of the University. In particular, University Council shall approve the appointment of the Heads of the Recognised Colleges.
24. To approve changes to Statutes and 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

The 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 ensuring that proper accounting records are kept which disclose with reasonable accuracy, at any time, the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the accounts directions and other guidance of the OfS, the University's Statutes, the Statement of Recommended Practice: Accounting for further and higher education and other relevant accounting standards. In addition, Council through its accountable officer is required by the regulatory body to prepare financial statements for each financial year which give a true and fair view of the University's state of affairs and of the surplus or deficit and cash flows for that year.

In the preparation of the financial statements and in accordance with the exercise of its powers under the statutes, Council is responsible for ensuring that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates which are made are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- it is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

Council has taken reasonable steps to:

- ensure that funds from the OfS are used only for the purposes for which they have been given and in accordance with the memorandum of assurance and accountability and any other conditions which the OfS may from time to time prescribe;
- ensure that funds from the National College for Teaching and Leadership (NCTL) are used only for the purposes for which they have been given and in accordance with the agreement between the NCTL and the University and any other conditions, which the NCTL may from time to time impose;
- 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 to prevent and detect fraud and other irregularities; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

System of Internal Control

Council is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible.

The system of internal control 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 of effectiveness.

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

- Clear definitions of the matters reserved for Council and Senate (the University's supreme governing body in all academic matters) and the authority delegated to individual managers;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Comprehensive Financial Regulations detail financial controls and procedures approved by Council and Finance Committee. University Regulations, Guidelines and Codes of Practice approved by Senate provide similar structure and guidance on academic matters;
- There is an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives including the risk of corruption, fraud, bribery and other irregularities;
- The University takes a risk-based approach to design and implementation of internal control, making an evaluation of the likelihood and impact of risks becoming a reality. Internal control measures are designed to manage risk efficiently, effectively, economically and equitably;
- All identified strategic risks are the responsibility of a risk owner, all of whom are members of the University Executive Committee and responsible for alerting it to significant matters;
- The University Executive Committee reports matters concerning risk management and internal control to Council and Audit Committee biannually, or as significant matters arise;
- Key performance indicators, business operation and compliance risks and financial performance are monitored by the University Executive Committee on a regular basis;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions being subject to formal detailed appraisal and review according to delegated authorities.

The process has been in place throughout the year ended 31 July 2019, and up to the date of approval of the financial statements, and is in accordance with the responsibilities assigned in the memorandum of assurance and accountability with HEFCE and guidance from the OfS.

Council's review of the effectiveness of the system of internal control is informed by the University Assurance Service, which complies with the professional standards of the Chartered Institute of Internal Auditors.

The University Assurance Service (supported by an external provider) undertakes a planned programme of assurance reviews (covering business, operational, compliance and financial risks) as part of a risk-based strategic and Annual Assurance plan and reports its findings to the University's management and Audit Committee. These are summarised in an Annual Report which includes an independent opinion on the adequacy and effectiveness of the University's arrangements for the provision of adequate internal control, corporate governance, risk management and the achievement of value for money.

As in previous years, internal audit work during 2018/19 identified areas of continuing concern in IT. A Chief Information Officer was appointed on 1 May 2019 to a substantive role with membership of the University Executive Committee and is in the process of developing a Digital Strategy and associated plans to address these concerns.

From an assessment of the performance of the University Assurance Service by the Audit Committee, informed by the views of the Vice-Chancellor, it is considered that these arrangements were effective for the year ended 31 July 2019 and the period up to the date of approval of the audited financial statements.

Signed on behalf of Durham University

Mr Joe Docherty
Chair of Council

Report on the audit of the financial statements

Opinion

In our opinion, Durham University's group financial statements and parent institution financial statements (the "financial statements"):

- Give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2019 and of the group's and of the parent institution's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- Have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education and the requirements of the Office for Students' Accounts direction (OfS 2018.26).

We have audited the financial statements, included within the Annual Report and Financial Statements for the year ended 31 July 2019 (the "Annual Report"), which comprise the Consolidated and University Balance Sheets as at 31 July 2019; the Consolidated and University Statements of Comprehensive Income and Expenditure, the Consolidated Statement of Changes in Reserves, University Statement of Changes in Reserves and the consolidated Statement of Cash Flows for the year then ended; the Statement of Accounting Policies; and the notes to the financial statements, which include other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and parent institution's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's and parent institution's activities, students, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the financial statements

As explained more fully in the Statement of Responsibilities of the Council set out on page [x], the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

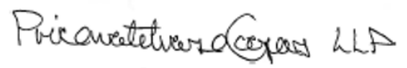
This report, including the opinions, has been prepared for and only for the Council as a body in accordance with the Charters and Statutes of the institution and section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinions on other matters prescribed in the Office for Students' and Research England's Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- Funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- Income has been applied in accordance with the institution's statutes; and
- Funds provided by the OfS and Research England have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle upon Tyne

29 November 2019

Statement of Principal Accounting Policies

1. Basis of Preparation

The financial statements have been prepared under the historical cost convention, other than where land and certain heritage assets were revalued to their fair value at transition to FRS102, with the revalued amount being treated as deemed cost. The financial statements have been prepared in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and the Financial Reporting Standard 102 (FRS102). The University is a public benefit entity and has applied the relevant public benefit requirements of FRS102.

Council has a reasonable expectation that the University and its subsidiary undertakings have adequate resources to continue in operational existence for the foreseeable future. Financial forecasts, including detailed cash flow forecasts, are prepared for a period of at least three years from the balance sheet date of these financial statements and the University is satisfied that it can meet its working capital needs from its forecast cash balances. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

2. Basis of Consolidation

The financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July.

The consolidated financial statements include the results of student organisations that have elected to opt into a framework enabling them to operate within the organisational and governance structure of the University but do not include those of the student bodies which are separate entities, as the University has no significant control or influence over the policy decisions of those bodies.

The University has investment shareholdings in unquoted companies over which it has no significant influence on policy or strategy decisions. These companies are not consolidated but are accounted for as investments at the lower of cost or net realisable value.

3. Recognition of Income

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

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a sponsor negotiated discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

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

Non-exchange transactions

Such transactions take place where income is received without approximately equal value being given in exchange and are accounted for using the performance model.

- Government grants (including funding council teaching and other grant, research grants from government sources and capital grants), grants from non-government sources (including research grants from non-government sources and capital grants) and donations are recognised within the Statement of Comprehensive Income and Expenditure when the University is entitled to the income and any performance related conditions have been met. Income received in advance of performance related conditions is deferred on the balance sheet and released to the Statement of Comprehensive Income and Expenditure as such conditions are met.
- Where grants or donations have no performance related conditions but have a restriction regarding how they may be spent, the income is retained within the restricted reserve until such time that it is utilised in line with the restrictions, at which point the income is released to general reserves through a reserve transfer.
- Endowments are donations where the donor has specified either that the gift must be invested and only the income spent against the donor's stated aims (which may be restrictive or for the general purposes of the University) or that the gift may be spent against the donor's stated restrictive aims but any unspent funds are to be invested. Endowments are recognised when the University is entitled to the income and are recorded as permanent or expendable endowment reserves as appropriate.

4. Employee benefits

Post-employment benefits (pensions)

The University participates in the Universities Superannuation Scheme (USS) and in the Durham University Pension Scheme (DUPS), both of which are defined benefit schemes, externally funded and until 31 March 2016 contracted out of the State Second Pension (S2P). The assets of the schemes are held in separate trustee-administered funds. The University also contributes to Aviva Pensions, a defined contribution scheme in compliance with the government's automatic enrolment requirements. The University has contributed to the NHS Pension Scheme in the past when it has employed staff who are already members.

The two funded defined benefit schemes 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. In the intervening years, the actuaries review the progress of the schemes.

The USS scheme is a multi-employer scheme for which the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 'Employee benefits', the scheme is accounted for as if it were a defined contribution scheme and the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme for the accounting period. However, because the University has entered into an agreement (the scheme Recovery Plan that determines how all employers will fund the overall deficit) it is required to recognise a liability within provisions for the contractual commitment to make deficit contributions and any resulting expense appears in the Statement of Consolidated Income and Expenditure. The provision is calculated based on the value of deficit contributions over the period of the Recovery Plan discounted to their present fair value.

Defined Benefit Scheme

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The University's net obligation in respect of its defined benefit pension scheme (DUPS) is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any scheme assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of the scheme and having maturity dates approximating to the terms of the scheme's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Defined Contribution Scheme

A defined contribution scheme is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Consolidated Income and Expenditure in the periods during which services are rendered by employees.

Short term employee benefits

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

5. Leases

Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below. Only finance leases with an initial value of over £10,000 are recognised in line with the policy on recognising fixed assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

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

Service concession arrangements

There were no Service Concession Arrangements at 31 July 2019 although see Note 29 Post Balance Sheet Events.

6. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at the rates at the date of the balance sheet or, where there are related forward exchange contracts, at contract rates. The resulting exchange differences are recognised in the Statement of Comprehensive Income and Expenditure.

7. Tangible Fixed Assets

a. Capitalisation

Tangible assets are capitalised where they are capable of being used for a period which exceeds one year and which:

- Individually have a cost equal to or greater than £10,000; or
- Collectively have a cost equal to or greater than £10,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control; or
- Irrespective of their individual cost, form part of the initial equipping of a new building.

Expenditure on a tangible asset after its initial purchase is capitalised where it increases the expected future benefits to the University. The cost of such enhancement is added to the gross cost of the relevant asset.

b. Valuation

Tangible fixed assets are stated as follows:

Asset	Basis
Land	Deemed cost at 1 August 2014 (valuation at that date).
Buildings	Cost or, in the case of buildings for which the cost cannot readily be ascertained, at valuation.
Equipment and other tangible fixed assets	Cost

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.

c. Depreciation

Freehold land is not depreciated as it is considered to have an indefinite useful life. Other tangible assets are depreciated on a straight line basis over their useful life as follows:

Buildings	15 to 50 years according to the designated useful life of its components
General and scientific equipment, furniture and IT infrastructure	8 years
Motor vehicles and computer equipment and software	4 years
Equipment acquired for specific research projects	Project life (generally 3 years)

No depreciation is charged on assets in the course of construction. Borrowing costs attributable to the acquisition or construction of a fixed asset are not capitalised but are recognised as an expense in the Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

8. Heritage assets

Assets meeting the definition of a heritage asset that have a cost or value of over £10,000 and were acquired since 1 August 2007 are capitalised at cost or value on acquisition, where such a valuation is reasonably obtainable.

Heritage assets where a value is maintained for insurance purposes are recognised at deemed cost based on a valuation at 1 August 2016. Other heritage assets are not capitalised as obtaining and maintaining valuations for them would be prohibitively expensive due to the extent of the collections.

Heritage assets are defined as 'tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture'.

Heritage assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material.

9. Investments

Investments in subsidiary companies are stated at the original cost of the investment and reviewed for impairment where appropriate.

Investment property is land and buildings held for rental income or capital appreciation rather than for delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure. Properties are not depreciated but are revalued or reviewed annually according to market conditions at the balance sheet date.

Current asset investments are included in the balance sheet at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure.

10. Stock

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

11. Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

12. Financial Instruments

Costs of financial instruments used to hedge interest rate risk are held on the Balance Sheet at fair value with movements in fair value recognised in the Statement of Comprehensive Income and Expenditure.

13. Provisions

Provisions are recognised in the financial statements where the University has a present financial obligation as a result of a past event and it is probable that a cost will arise on settlement of the obligation and a reliable estimate can be made of its value. The amount recognised is determined by discounting the expected future cash flows at a rate that reflects risks specific to the liability.

14. Taxation

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is therefore 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 and 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. Irrecoverable VAT on inputs is included in the cost of such inputs, including tangible fixed assets.

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. A deferred tax liability is provided for if transactions or events giving rise to an obligation to pay more tax in the future, or less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that they are more likely than not to be recoverable in the future.

15. Joint venture

The University's share of income and expenditure in joint venture entities is reported in the Statement of Comprehensive Income and Expenditure and its share of assets and liabilities of joint venture entities is recognised in the consolidated Balance Sheet using the gross equity method.

16. Accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying accounting policies. Estimates, assumptions and judgements are continually evaluated based on available information and experience. Estimates based on assumptions and judgements could differ significantly from actual results. The areas most affected by the use of estimates and judgements are described below.

a. Useful lives of fixed assets

The useful lives of the University's assets are determined by management at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Nevertheless, some assets, including buildings, remain in use well beyond their useful life and to this extent there is no charge to depreciation in respect of fully written-off assets

b. Non-current asset investments – endowment properties

Endowment properties are included at fair value which has initially been provided by professional valuation. In future years the value of endowment properties will be adjusted by management in line with movements in the property market in the area in which the properties are situated.

c. Recoverability of debts

It is assumed initially that all debts will be recoverable in full unless there is evidence to suggest otherwise. Any debt that is evidently doubtful is provided for in full. For all other debts, once these reach six months overdue a provision is created by type of debt based on historical experience of irrecoverability. A provision is also made for certain categories of debt more than one, but up to six months overdue. The adequacy of the provision is assessed and adjusted annually. The provision is deducted from the value of Other trade receivables in note 17.

d. Annual leave liability

The liability for outstanding annual leave is calculated based on the assumption that academics do not take leave during University terms, but take leave pro rata during the vacation periods. Actual data of outstanding leave is taken for a sample of administrative staff and extrapolated.

e. Calculation of pension provision

i. The calculation of the liability for the present value of recovery contributions to the USS scheme is made using assumptions about the future salary and numerical growth of members of the USS scheme. The estimates used for these variables are consistent with those used in creating the University's financial forecasts.

ii. The calculation of the defined benefit pension liability in the DUPS scheme is made using actuarial assumptions including future salary and general inflation and the expected longevity of scheme members. The estimates used for these assumptions are consistent with those used in creating the University's financial forecasts and in actuarial valuation of the scheme for the trustees.

Financial Statements

Consolidated and University Statements of Comprehensive Income and Expenditure - Year ended 31 July 2019

	Note	Consolidated 2019 £'000	University 2019 £'000	Consolidated 2018 £'000	University 2018 £'000
Income					
Tuition fees and education contracts	1	**209,299**	**209,299**	192,566	192,566
Funding body grants	2	**39,432**	**39,432**	39,414	39,414
Research grants and contracts	3	**51,415**	**51,415**	52,705	52,705
Other income	4	**67,270**	**67,099**	61,807	61,652
Investment income	5	**4,802**	**4,802**	6,449	6,449
Donations and endowments	6	**8,804**	**8,804**	5,465	5,465
Total income		**381,022**	**380,851**	358,406	358,251
Expenditure					
Staff costs	7	**201,161**	**201,161**	191,700	191,700
USS provision	7	**79,054**	**79,054**	-	-
Other operating expenses	9	**127,030**	**127,779**	114,328	114,171
Depreciation	12	**23,821**	**23,346**	22,901	22,879
Impairment adjustment	12	**4,743**	**4,743**	-	-
Interest and other finance costs	10	**16,311**	**16,311**	7,222	7,204
Total expenditure		**452,120**	**452,394**	336,151	335,954
(Deficit) / Surplus before other gains and share of operating surplus of joint venture		**(71,098)**	**(71,543)**	22,255	22,297
Net gain on investments	6	**5,339**	**5,339**	228	228
Surplus on disposal of CEM	4	**15,508**	**15,508**	-	-
Share of operating surplus in joint venture		**-**	**-**	-	-
(Deficit) / Surplus before tax		**(50,251)**	**(50,696)**	22,483	22,525
Taxation	11	**-**	**-**	-	-
(Deficit) /Surplus for the year		**(50,251)**	**(50,696)**	22,483	22,525
Actuarial (loss) / gain in respect of pension schemes	28	**(5,144)**	**(5,144)**	7,680	7,680
Total comprehensive (expenditure) / income for the year		**(55,395)**	**(55,840)**	30,163	30,205
Represented by:					
Endowment income	23	**7,928**	**7,928**	2,027	2,027
Restricted expenses	25	**(2,311)**	**(2,311)**	(1,513)	(1,513)
Unrestricted (expenditure) / income		**(61,012)**	**(61,457)**	29,649	29,691
		(55,395)	**(55,840)**	30,163	30,205

Consolidated Statement of Changes in Reserves for the year ended 31 July 2019

	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£'000	*£'000*	*£'000*	*£'000*
Balance at 1 August 2017	**71,982**	**11,846**	**316,068**	**399,896**
Surplus from income and expenditure statement	2,027	3,133	17,323	**22,483**
Other comprehensive income	-	-	7,680	**7,680**
Release of restricted funds spent in year	-	(4,646)	4,646	**-**
Total comprehensive income / (expenditure) for the year	2,027	(1,513)	29,649	**30,163**
Balance at 31 July / 1 August 2018	**74,009**	**10,333**	**345,717**	**430,059**
Surplus / (Deficit) from income and expenditure statement	7,015	2,501	(60,395)	**(50,879)**
Other comprehensive expenditure	-	-	(5,144)	**(5,144)**
Transfer between reserves and investments	913	(285)	-	**628**
Release of restricted funds spent in year	-	(4,527)	4,527	**-**
Total comprehensive income / (expenditure) for the year	7,928	(2,311)	(61,012)	**(55,395)**
Balance at 31 July 2019	**81,937**	**8,022**	**284,705**	**374,664**

University Statement of Changes in Reserves for the year ended 31 July 2019

	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£'000	*£'000*	*£'000*	*£'000*
Balance at 1 August 2017	**71,982**	**11,846**	**317,650**	**401,478**
Surplus from income and expenditure statement	2,027	3,133	17,365	**22,525**
Other comprehensive income	-	-	7,680	**7,680**
Release of restricted funds spent in year	-	(4,646)	4,646	**-**
Total comprehensive income / (expenditure) for the year	2,027	(1,513)	29,691	**30,205**
Balance at 31 July / 1 August 2018	**74,009**	**10,333**	**347,341**	**431,683**
Surplus / (Deficit) from income and expenditure statement	7,015	2,501	(60,840)	**(51,324)**
Other comprehensive expenditure	-	-	(5,144)	**(5,144)**
Transfer between reserves and investments	913	(285)	-	**628**
Release of restricted funds spent in year	-	(4,527)	4,527	**-**
Total comprehensive income / (expenditure) for the year	7,928	(2,311)	(61,457)	**(55,840)**
Balance at 31 July 2019	**81,937**	**8,022**	**285,884**	**375,843**

Consolidated and University Balance Sheets – as at 31 July 2019

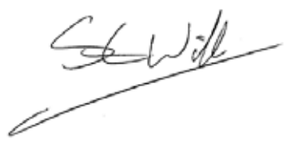
	Note	**Consolidated 2019** *£'000*	**University 2019** *£'000*	Consolidated 2018 *£'000*	University 2018 *£'000*
Non-current assets					
Fixed assets	*12*	**563,202**	**564,308**	490,505	491,136
Heritage assets	*12*	**37,815**	**37,815**	37,099	37,099
Investments	*13*	**162,398**	**162,399**	64,142	64,143
Investment in joint venture	*14*	**-**	**-**	-	-
		763,415	**764,522**	591,746	592,378
Current assets					
Stock	*16*	**396**	**376**	365	345
Trade and other receivables	*17*	**22,038**	**22,037**	21,517	21,514
Investments	*18*	**81,016**	**81,016**	42,326	42,326
Cash and cash equivalents	*19*	**107,768**	**107,763**	78,559	78,554
		211,218	**211,192**	142,767	142,739
Creditors: amounts falling due within one year	*20*	**(97,785)**	**(97,687)**	(78,881)	(78,731)
Net current assets		**113,433**	**113,505**	63,886	64,008
Total assets less current liabilities		**876,848**	**878,027**	655,632	656,386
Creditors : amounts falling due after more than one year	*21*	**(330,954)**	**(330,954)**	(142,577)	(142,577)
Provisions					
Pension provisions	*22*	**(170,380)**	**(170,380)**	(81,165)	(81,165)
Other provisions	*22*	**(850)**	**(850)**	(1,831)	(961)
Total net assets		**374,664**	**375,843**	430,059	431,683

	Note	**Consolidated 2019** *£'000*	**University 2019** *£'000*	Consolidated 2018 *£'000*	University 2018 *£'000*
Restricted Reserves					
Endowment reserves	23	**81,937**	**81,937**	74,009	74,009
Restricted reserves	25	**8,022**	**8,022**	10,333	10,333
Unrestricted Reserves					
Income and expenditure reserve		**284,705**	**285,884**	345,717	347,341
		374,664	**375,843**	430,059	431,683

The Financial Statements were approved by the Council on 29 October 2019 and signed on its behalf by:

J Docherty
Chair of Council

S Corbridge
Vice-Chancellor



S Willis
Chief Financial Officer

Consolidated Cash Flow Statement for the year ended 31 July 2019

	Note	2019	2018
		£'000	£'000
Cash flow from operating activities			
(Loss) / Surplus for the year		**(50,251)**	22,483
Adjustment for non-cash items			
Depreciation and impairment adjustment	12	**28,564**	22,901
Gain on investments		**(5,339)**	(313)
(Increase) / Decrease in stock	16	**(31)**	94
Increase in debtors	17	**(303)**	(2,936)
Increase / (Decrease) in creditors	20	**19,843**	(4,123)
Lease issued for student accommodation	21	**19,104**	-
Transfer between fixed and current asset investments		**621**	(299)
Increase in pension provision	22	**84,071**	4,240
Decrease in other provisions	22	**(981)**	(4,586)
Share of operating surplus/(deficit) in joint venture	14	**-**	-
Adjustment for investing or financing activities			
Investment income	5	**(4,802)**	(1,952)
Interest payable	10	**10,091**	5,219
Endowment donations	6	**(4,498)**	(258)
Loss on sale of fixed assets		**183**	12
Loss on the sale of current asset investments		**3**	85
Capital grant income		**(580)**	(1,499)
Net cash flow from operating activities		**95,695**	39,068
Cash flows used in investing activities			
Proceeds from sale of fixed assets		**72**	1,492
Proceeds from sale of current asset investments		**681**	811
Capital grant receipts		**580**	1,499
Investment income		**4,802**	1,952
Payments made to acquire fixed assets		**(102,929)**	(41,566)
New non-current asset investments		**(92,773)**	-
New deposits		**(40,139)**	(7,000)
		(229,706)	(42,812)

	Note	2019	2018
		£'000	£'000
Cash flows used in financing activities			
Interest paid		**(7,702)**	(5,253)
Endowment cash received		**4,498**	258
New unsecured loans		**225,000**	-
Repayment of amounts borrowed		**(58,576)**	(3,256)
		163,220	(8,251)
Increase / (decrease) in cash and cash equivalents in the year	19	**29,209**	(11,995)
Cash and cash equivalents at beginning of the year	19	**78,559**	90,554
Cash and cash equivalents at end of the year	19	**107,768**	78,559
		29,209	(11,995)

Notes to the financial statements

1. Tuition fees and education contracts

	Consolidated 2019 £'000	University 2019 £'000	Consolidated 2018 £'000	University 2018 £'000
Full-time home and EU students	**106,496**	**106,496**	106,503	106,503
Full-time international students	**82,443**	**82,443**	70,239	70,239
Part-time students	**5,501**	**5,501**	3,063	3,063
Short courses	**4,267**	**4,267**	3,495	3,495
Research training support grants	**7,419**	**7,419**	6,461	6,461
Other fees	**3,173**	**3,173**	2,805	2,805
	209,299	**209,299**	192,566	192,566

2. Funding body grants

Recurrent grant				
HEFCE	**-**	**-**	24,201	24,201
Office for Students	**7,006**	**7,006**	1,780	1,780
Research England	**28,782**	**28,782**	9,700	9,700
Specific grants				
Office for Students	**80**	**80**	80	80
Capital grants				
HEFCE	**-**	**-**	3,653	3,653
Office for Students	**1,229**	**1,229**	-	-
Research England	**2,335**	**2,335**	-	-
	39,432	**39,432**	39,414	39,414

The recurrent grant includes both QR (Quality Related) and STEM (Science, Technology, Engineering and Mathematics) funding.

3. Research grants and contracts

Research councils	**26,291**	**26,291**	26,956	26,956
UK charities	**4,099**	**4,099**	4,864	4,864
Central /Local Government	**6,143**	**6,143**	6,335	6,335
UK industries	**2,613**	**2,613**	3,408	3,408
EU Government	**9,614**	**9,614**	7,802	7,802
Other overseas	**2,486**	**2,486**	3,213	3,213
Other sources	**169**	**169**	127	127
	51,415	**51,415**	52,705	52,705

4. Other income

	Consolidated 2019 £'000	University 2019 £'000	Consolidated 2018 £'000	University 2018 £'000
Residences, catering and conferences	**46,696**	**46,696**	42,534	42,534
Other services rendered	**6,865**	**6,865**	8,481	8,481
Other income	**13,709**	**13,538**	10,792	10,637
	67,270	**67,099**	61,807	61,652

The University sold the Centre for Evaluation and Monitoring (CEM) in the year to the University of Cambridge for £15,508,000 which is highlighted as an exceptional item. CEM was a research group under the School of Education providing learning assessment for children of all ages.

5. Investment income

Investment income on endowments	**1,516**	**1,516**	1,238	1,238
Investment income on restricted reserves	**95**	**95**	74	74
Other investment income	**3,191**	**3,191**	640	640
Decrease in fair value of derivatives	**-**	**-**	4,497	4,497
	4,802	**4,802**	6,449	6,449

6. Donations and endowments

Capital grants and donations	**598**	**598**	1,499	1,499
New endowments	**4,498**	**4,498**	258	258
Donations with restrictions	**1,826**	**1,826**	1,560	1,560
Unrestricted donations	**1,882**	**1,882**	2,148	2,148
	8,804	**8,804**	5,465	5,465
The surplus on investment comprises:				
Endowment pooled funds	**3,309**	**3,309**	1,722	1,722
Other pooled funds	**3,549**	**3,549**	-	-
Endowment properties	**(1,375)**	**(1,375)**	-	-
Holdings in spin off companies	**(144)**	**(144)**	(1,494)	(1,494)
	5,339	**5,339**	228	228

7. Staff costs

	Consolidated	University	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Salaries	**158,336**	**158,336**	150,936	150,936
Social security costs	**15,177**	**15,177**	14,422	14,422
Movement on USS provision *	**-**	**-**	823	823
Other pension costs				
USS (See note 28(a))	**21,781**	**21,781**	19,890	19,890
DUPS (See note (28(b))	**5,669**	**5,669**	5,506	5,506
NOW (See note 28(c))	**198**	**198**	123	123
	201,161	**201,161**	191,700	191,700

*The movement on the USS provision in the year is £79,054,000 and is sufficiently significant to appear as a separate line on the face of the Statement of Comprehensive Income.

Analysis of staff costs by activity

Academic and related expenditure	**127,194**	**127,194**	113,965	113,965
Administration and central services	**15,222**	**15,222**	17,848	17,848
Premises	**5,830**	**5,830**	5,818	5,818
Residences, catering and conferences	**14,377**	**14,377**	13,474	13,474
Research grants and contracts	**21,769**	**21,769**	20,772	20,772
Student and staff facilities and amenities	**10,816**	**10,816**	10,606	10,606
General educational expenditure	**2,268**	**2,268**	4,564	4,564
Miscellaneous expenditure	**3,685**	**3,685**	4,653	4,653
	201,161	**201,161**	191,700	191,700

	2019	2018
Emoluments of the Vice-Chancellor	*£'000*	*£'000*
Salary	**274**	269
Payment in lieu of pension contributions	**27**	27
Pension contributions	**6**	5
Provision of accommodation	**18**	18
	325	319

The Vice-Chancellor withdrew from membership of USS in November 2016 and since that date only contributions to maintain life assurance cover have been paid. He receives instead a payment in lieu of pension contributions, on the same basis as all other employees who opt out of pension scheme membership, to compensate for the loss of full employer pension contributions.

The Vice-Chancellor is provided with rent free accommodation which is a non-taxable benefit as it is required wholly, necessarily and exclusively for the better performance of his duties of employment. The annual value is approximately £18,000. Utility costs, excluding water, are paid for by the University and are not separately identifiable.

Ratio of Head of Institution pay against median pay of all staff

The methodology used in this calculation has been that provided by the OfS Accounts Direction. For both the Head of Institution and the whole workforce, the method has been applied consistently. The pay multiples are calculated by comparing the Head of Institution pay with the median pay of the workforce across two dimensions – basic pay and total pay.

Basic pay – This includes all elements of pay excluding any payment in lieu of pension contributions, expressed as a full-time equivalent (FTE) annual salary. The figure also excludes bonuses, market supplements, responsibility allowances, employer pension contributions, severance payments and any other benefits, including those in kind.

Total pay – Total earnings, including all elements of pay including market supplements, bonuses, responsibility allowances, employer pension contributions and any other benefits.

2019	Basic Pay multiple	Total Pay multiple
Including casual and agency workers	10.79	11.38
Excluding casual and agency workers	8.24	8.24

2018	Basic Pay multiple	Total Pay multiple
Including casual and agency workers	11.57	12.55
Excluding casual and agency workers	8.25	8.34

There is a direct correlation between the scale of income for the Higher Education Institution (HEI) and the pay multiple of the Head of Institution and it is typical for larger HEIs to have multiples higher than the sector average (which in 2016/17 was 6.8 excluding casual and agency workers). Where some institutions outsource lower paid positions, for example cleaning and catering staff, Durham does not subcontract these roles which impacts on our pay ratios.

Vice-Chancellor Pay

The University is a large and complex institution with almost 4,000 FTE staff and more than 18,000 students. It has an annual turnover of almost £400m per annum and has embarked upon an ambitious ten year strategy including a programme of extensive estate refurbishment and new development totalling some £750m. Net growth of 330 new academic staff and up to 4,000 additional students is scheduled over the ten year Strategy period. The University generates £1.2b GVA, two thirds of which accrues to the North East of England.

Durham is a top five UK university (Guardian 2019) and a world top 100 university (QS World Rankings 2019) with a global reputation for excellence in research and education. Students from over 150 countries study at Durham and 40% of staff are of non-UK origin. Its students benefit from a world-leading wider student experience which combines academic excellence and a commitment to produce highly motivated, well-rounded and socially engaged leaders of tomorrow.

A member of the prestigious Russell Group, the University produces world-leading research across the Arts and Humanities, Science and Social Sciences, with subjects such as Theology, Archaeology and Geography ranked in the Top 10 in the world (QS 2018).

The Vice-Chancellor's salary is reviewed annually in accordance with our published pay policy by independent members of the Remuneration Committee. This includes external benchmarking and consideration of the scale, complexity, and performance of the University. Competitive salary packages are essential to attract and retain outstanding staff in senior leadership roles.

Remuneration of other higher paid staff

Excluding employer's pension contributions

	2019	2018
	No.	*No.*
£100,000 – £104,999	**21**	15
£105,000 – £109,999	**8**	5
£110,000 – £114,999	**1**	5
£115,000 – £119,999	**1**	6
£120,000 – £124,999	**9**	3
£125,000 – £129,999	**6**	3
£130,000 – £134,999	**3**	4
£135,000 – £139,999	**3**	3
£140,000 – £144,999	**1**	1
£145,000 – £149,999	**1**	-
£150,000 – £154,999	**1**	-
£155,000 – £159,999	**1**	3
£160,000 – £164,999	**-**	-
£165,000 – £169,999	**1**	2
£170,000 – £174,999	**1**	-
£175,000 – £179,999	**-**	-
£180,000 – £184,999	**1**	-
£185,000 – £189,999	**-**	-
£190,000 – £194,999	**-**	-
£195,000 – £199,999	**1**	1
£200,000 – £204,999	**-**	2
£205,000 – £209,999	**-**	-
£210,000 – £214,999	**1**	-
	61	53

Key management personnel	**2019**	2018
	£'000	*£'000*
Key management personnel remuneration including compensation	**2,036**	2,029

	2019	2018
	No.	*No.*
Number of staff	**11**	11

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling. The remuneration disclosed relates to the members of the University Executive Committee which comprises: Vice-Chancellor and Warden, Deputy Vice-Chancellor and Provost, Pro-Vice-Chancellor (Education), Pro-Vice-Chancellor (Research), Pro-Vice-Chancellor (Global), Pro-Vice-Chancellor (Arts and Humanities), Pro-Vice-Chancellor (Science), Pro-Vice-Chancellor (Social Science and Health), Pro-Vice-Chancellor (Colleges and Student Experience), Chief Financial Officer and University Secretary.

Staff numbers	**2019**	2018
Full time equivalent staff numbers by type	*No.*	*No.*
Academic	**1,688**	1,617
Professional and technical	**1,015**	1,023
Administrative and clerical	**605**	626
Facilities and other support	**593**	603
	3,901	3,869

Council members

The University's Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the 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 the Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arms' length and in accordance with the University's Financial Regulations and usual procurement procedures and are disclosed within the information provided in Note 8.

No Council member has received any remuneration or waived payments during the year (2018 - nil).

The total expenses paid to or on behalf of 11 of the Council members was £12,085 (2018: £18,757 to 15 of the Council members). This represents travel and subsistence expenses incurred in attending Council and committee meetings in their official capacity.

Trade Union information

The Trade Union (Facility Time Publication Requirements) regulations 2017 require us to publish information on trade union facility time. The University recognises the following trade unions: University and College Union (UCU) (formerly AUT), Unite (formerly Amicus), G.M.B. and UNISON.

For the period April 2018 to March 2019

Relevant Union Officials	2019	2018
Number of employees who were relevant union officials during the relevant period	**23**	19
Full-time equivalent employee number	**19.89**	16.28

Percentage of time spent on facility time

Percentage of time	Number of Employees	
0%	**4**	15
1-50%	**19**	4
51-99%	**-**	-
100%	**-**	-

Percentage of pay bill spent on facility time	2019	2018
Total cost of facility time	**£36,189**	£35,582
Total Pay Bill	**£188,133,485**	£192,487,130
Percentage of pay bill spent of facility time	**0.02%**	0.02%

Paid Trade Union activities	2019	2018
Time spent on paid trade union activities as a percentage of total paid facility time hours	**4.18%**	7.34%

Compensation for loss of office – all staff	**2019**	2018
	£'000	*£'000*
Compensation for loss of office including redundancy payments and end of a fixed term contract.	**1,443**	6,887

	2019	2018
	No.	No.
Number of staff	**170**	381

The number and level of ex-gratia payments includes the legacy of enhanced redundancy payments in 2017/18 and 2018/19.

8. Related party transactions

The University maintains a Register of Interests for all its senior staff including Council members.

The following transactions have been identified for disclosure in relation to those organisations related to senior executive staff and members of Council. The transactions are those entered into by the University at arms' length and are not payments to the individuals listed:

Organisation	**Council**	**Receipts**	**Debtors**	**Payments**	**Creditors**
	Member	*£'000*	*£'000*	*£'000*	*£'000*
British Computer Society Ltd	Mr Nigel Perry	78	-	-	-
British Library	Mrs Joanna Barker	-	-	25	-
Centre for Process Innovation Ltd	Mr Nigel Perry	80	-	-	-
China - Britain Business Council	Mr Jonathan Bewes	-	-	4	-
College Junior Common Room Societies		97	18	122	-
Durham Cathedral	The Very Reverend Andrew Tremlett	28	7	120	34
Durham Students' Union	Mr David Evans	-	-	975	1
Gentoo Homes Ltd	Mrs Susan Johnson	8	1	-	-
ICAEW	Mr Jonathan Bewes	6	-	-	-
Imperial College	Ms Jennifer Sewel	95	-	492	10
Mount Oswald Colleges LLP	Ms Jennifer Sewel / Mr James Grierson	23,708	-	557	-
N8 Ltd	Professor Stuart Corbridge	-	-	60	-
NERC	Professor Mike Bentley / Professor Colin MacPherson	128	2	41	-
Northumberland Tyne & Wear NHS Trust	Ms Alexis Cleveland	74	-	16	-
NPL Management Ltd	Mr Nigel Perry	-	-	31	-
Russell Group	Professor Stuart Corbridge	-	-	80	-
St Chad's College	The Very Reverend Andrew Tremlett	34	3	532	-
UCEA	Professor Stuart Corbridge	-	-	15	-
Universitetet I Tromso	Professor Mike Bentley	-	-	4	-
Universities UK	Professor Stuart Corbridge	-	-	49	-

The University makes payments on behalf of and is reimbursed by Durham Students' Union. The University does not exercise day to day control over the affairs of Durham Students' Union.

The University has taken advantage of the exemption within FRS102 not to disclose transactions with other members of the Group.

The University accounts for transactions relating to those Durham Student Organisations and Experience Durham which have elected to opt in to a framework enabling them to operate within the organisational and governance structure of the University. There are three student organisations that have elected to remain independent and the values of any transactions with them are included above under the heading College Junior Common Room Societies.

9. Analysis of non-staff costs by activity

	Consolidated	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Academic and related expenditure	**39,250**	**39,250**	29,825	29,825
Administration and central services	**10,812**	**10,733**	6,600	6,583
Premises	**18,066**	**18,066**	17,393	17,393
Residences, catering and conferences	**16,700**	**16,700**	13,298	13,298
Research grants and contracts	**8,636**	**8,636**	12,684	12,684
Student and staff facilities and amenities	**9,221**	**9,221**	8,392	8,392
General educational expenditure	**22,131**	**22,131**	22,766	22,766
Miscellaneous expenditure	**2,214**	**3,042**	3,370	3,230
	127,030	**127,779**	114,328	114,171

:	**Consolidated**	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Other operating expenses include				
External auditors' remuneration in respect of audit services	**68**	**60**	82	77
External auditors remuneration in respect of non-audit services	**-**	**-**	-	-
Operating lease rentals:				
Land and buildings	**4,484**	**4,484**	2,117	2,117
Other	**446**	**446**	477	477

10. Interest and other finance costs

	Consolidated	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Loan interest	**10,091**	**10,091**	5,219	5,201
Increase in fair value of derivatives	**3,932**	**3,932**	-	-
Net charge on USS pension scheme	**1,033**	**1,033**	673	673
Net charge on DUPS pension scheme	**1,255**	**1,255**	1,330	1,330
	16,311	**16,311**	7,222	7,204

11. Taxation

	Consolidated	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Current tax				
Current tax expense	**-**	**-**	-	-
	-	**-**	-	-
Deferred tax				
Origination and reversal of timing differences	**-**	**-**	-	-
	-	**-**	-	-
Total tax expense	**-**	**-**	-	-

12. Tangible assets

Consolidated	Freehold Land and Buildings	Equipment	Assets in the Course of Construction	Heritage Assets	**Total**
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost					
At 1 August 2018	550,982	144,661	34,543	37,099	**767,285**
Additions	2,800	-	99,432	-	**102.232**
Capitalisation	49,010	19,487	(69,213)	716	**-**
Impairment Adjustment	(4,743)	-	-	-	**(4,743)**
Disposals	(212)	(6,714)	-	-	**(6,926)**
At 31 July 2019	**597,837**	**157,434**	**64,762**	**37,815**	**857,848**
Accumulated Depreciation					
At 1 August 2018	130,951	108,730	-	-	**239,681**
Charge for year	12,018	11,803	-	-	**23,821**
Disposals	(111)	(6,560)	-	-	**(6,671)**
At 31 July 2019	**142,858**	**113,973**	**-**	**-**	**256,831**
Net Book Value					
At 31 July 2019	**454,979**	**43,461**	**64,762**	**37,815**	**601,017**
At 31 July 2018	**420,031**	**35,931**	**34,543**	**37,099**	**527,604**

VAT of £3.6m was reclaimed on the original land purchase of the Mount Oswald site. An option to tax has been made over the land and a letter sent to HM Revenue & Customs requesting confirmation that the option will not be disapplied. An accrual to repay £0.8m of the VAT was made at 31 July 2018. One year later, however, confirmation has still not been received from HMRC and the balance of £2.8m has been accrued as an addition to freehold land and buildings.

An impairment adjustment has been made to Freehold Land and Buildings of £4,743,000.

University	Freehold Land and Buildings	Equipment	Assets in the Course of Construction	Heritage Assets	**Total**
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost					
At 1 August 2018	549,525	144,790	34,543	37,099	**765,957**
Additions	2,800	-	99,432	-	**102,232**
Capitalisation	49,010	19,487	(69,213)	716	**-**
Impairment adjustment	(4,743)	-	-	-	**(4,743)**
Disposals	(212)	(6,714)	-	-	**(6,926)**
At 31 July 2019	**596,380**	**157,563**	**64,762**	**37,815**	**856,520**
Accumulated Depreciation					
At 1 August 2018	128,991	108,731	-	-	**237,722**
Charge for year	11,543	11,803	-	-	**23,346**
Disposals	(111)	(6,560)	-	-	**(6,671)**
At 31 July 2019	**140,423**	**113,974**	**-**	**-**	**254,397**
Net Book Value					
At 31 July 2019	**455,957**	**43,589**	**64,762**	**37,815**	**602,123**
At 31 July 2018	**420,534**	**36,059**	**34,543**	**37,099**	**528,235**

VAT of £3.6m was reclaimed on the original land purchase of the Mount Oswald site. An option to tax has been made over the land and a letter sent to HM Revenue & Customs requesting confirmation that the option will not be disapplied. An accrual to repay £0.8m of the VAT was made at 31 July 2018. One year later, however, confirmation has still not been received from HMRC and the balance of £2.8m has been accrued as an addition to freehold land and buildings.

An impairment adjustment has been made to Freehold Land and Buildings of £4,743,000.

Heritage Assets

Heritage assets with an initial cost or value over £10,000 and acquired after 1 August 2007 are capitalised. Also capitalised are heritage assets for which an insurance value is held, including the Library's special collections.

Durham University holds other heritage assets in its Libraries and Museums, information about which may be found at: durham.ac.uk/library/asc. Included in these collections are materials in many formats such as paper and parchment manuscripts, printed books, photographs, maps, prints, moving images, museum artefacts etc. The University has not capitalised these assets as obtaining and maintaining valuations for them would be prohibitively expensive due to the extent of the collections.

The Library's collecting policy for its Archives and Special Collections is designed to support the research and teaching of Durham University, and to develop coherent collections which build on existing strengths as a service to scholarship generally. In considering any acquisition, therefore, attention is paid to its scholarly significance, its appropriateness to the University's academic needs and priorities, its relation to the Library's existing collections and to the existing pattern of national and regional collections.

This year's acquisitions were the archive of the First Earl of Durham and the papers of the Canonesses of the Holy Sepulchre.

Heritage asset acquisitions	**2019**	2018	2017	2016
	£'000	*£'000*	*£'000*	*£'000*
Acquisitions purchased with specific donations	**686**	65	10	30
Acquisitions purchased with University funds	**-**	-	18	53
Total cost of acquisitions purchased	**686**	65	28	83
Value of acquisitions by donation	**30**	-	-	-
Total acquisitions capitalised	**716**	**65**	**28**	**83**

13. Non-current investments

	Subsidiary companies	Subsidiary investment in spinouts	Other fixed asset investments	**Total**
	£'000	*£'000*	*£'000*	*£'000*
Consolidated				
At 1 August 2018	-	140	64,002	**64,142**
Additions	-	-	92,773	**92,773**
Increase in market value	-	-	5,483	**5,483**
At 31 July 2019	**-**	**140**	**162,258**	**162,398**
University				
At 1 August 2018	1	140	64,002	**64,143**
Additions	1,763	-	91,010	**92,773**
Increase in market value	-	-	5,483	**5,483**
At 31 July 2019	**1,764**	**140**	**160,495**	**162,399**

Other non-current investments consist of:	**Consolidated 2019** *£'000*	**University 2019** *£'000*	Consolidated 2018 *£'000*	University 2018 *£'000*
Endowment pooled fund investments	**50,300**	**50,300**	45,980	45,980
Other pooled fund investments	**93,549**	**93,549**	-	-
Endowment properties	**16,646**	**16,646**	18,022	18,022
Other	**1,903**	**1,904**	140	141
	162,398	**162,399**	**64,142**	**64,143**

14. Investment in joint venture

The University holds a 12.5% share of N8 Limited, a company limited by guarantee. This is a joint venture company owned equally by eight research intensive Northern Universities. The arrangement is treated as a joint venture and is accounted for using the equity method, such that 12.5% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 12.5% of its net income is reported in the University's consolidated income and expenditure account.

	2019	2018
	£'000	*£'000*
Income and expenditure account		
Income	**52**	38
Surplus before tax	**-**	-
Balance Sheet		
Current assets	**47**	39
Creditors due after more than one year	**(47)**	(39)
Share of net assets	**-**	-

The University participates in a number of joint research contracts with other Universities, both as lead institution and in collaboration with another institution as lead. Income from such arrangements during 2019 amounted to £13.8m (2018 £16.1m).

15. Investments in subsidiary companies

The companies in which the University has a major interest and whose results are consolidated in these statements are as follows:

Name	**Principal Activities**	**Percentage of Shares and Class**
Durham Mount Oswald Limited	Property investment	100% Ordinary shares
Durham University Investments Ltd	Intermediate holding company	100% Ordinary shares
Durham University Developments Ltd*	Property trading	100% Ordinary shares
Durham Women's Football Club Ltd*	Football club activities	100% Ordinary shares

All of the above companies are incorporated in England and Wales

*These shares are held indirectly through Durham University Investments Limited

The University also held investments in the following companies which have been set up to carry out spin-off businesses. The results of these companies are not included in the consolidated statements.

FSCAN Ltd ***	24.9% Ordinary shares
GeoEnergy Durham ***	24.9% Ordinary shares
Magnitude Biosciences Ltd ***	24.9% Ordinary shares
Pepmotec Ltd ***	24.9% Ordinary shares
Geospatial Research Ltd ***	24.0% Ordinary shares
Olexys Ltd ***	22.0% Ordinary shares
Concept analyst Ltd ***	20.0% Ordinary shares
TPH Surveys Ltd	15.0% Ordinary shares
PB Spectroscopy	15.0% Ordinary shares
Durham Magneto Optics Ltd	12.75% Ordinary shares
Gamble De Grussa Ltd	10.87% Ordinary shares
Lightox Ltd	6.40% Ordinary shares
Intogral Ltd	5.00% Ordinary shares
Applied Graphene Materials plc	2.49% Ordinary shares
Goliath Wind Ltd	2.22% Ordinary shares
Kromek plc	0.17% Ordinary shares
P2I Ltd	0.12% Ordinary shares

*** Not consolidated because at 31 July 2019 the University did not exercise effective control over these companies.

Other companies are not consolidated because the level of shareholding is below 20%

The University also holds investments in companies established jointly by several Universities:

N8 Ltd	Research	12.5% share (company limited by guarantee)
CVCP Properties Plc	Property	0.9% Ordinary shares

The cost of the University's shareholding in the spin-off investments above is recorded within Note 13 Subsidiary investment in spinouts. The market value of the University's shareholding in Applied Graphene Materials plc and Kromek plc is recorded in Note 18 within the heading Short term investment in shares.

16. Stock

	Consolidated	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Goods for resale	**376**	**376**	345	345
Durham University Developments Ltd – development land for resale	**20**	**-**	20	-
	396	**376**	365	345

17. Trade and other receivables

	Consolidated	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Amounts falling due within one year:				
Research grant receivables	**11,264**	**11,264**	10,155	10,155
Other trade receivables	**8,101**	**8,100**	9,482	9,479
Prepayments and accrued income	**2,673**	**2,673**	1,880	1,880
	22,038	**22,037**	21,517	21,514

18. Current investments

	Consolidated	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Short term investment in shares	**877**	**877**	2,326	2,326
Short term deposits	**80,139**	**80,139**	40,000	40,000
	81,016	**81,016**	42,326	42,326

Deposits are held with banks operating in the London market and licensed by the Financial Services Authority. The short term deposits had more than three months' maturity at 31 July 2019. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement. The weighted average interest rate of these deposits was 1.16% per annum and the remaining weighted average period for which the interest rate was fixed on these balances was 123 days.

19. Cash and cash equivalents

	At 1st August 2018	Cash Flows	**At 31st July 2019**
	£'000	*£'000*	*£'000*
Cash and Cash equivalents	78,559	29,209	**107,768**

20. Creditors : amounts falling due within one year

	Consolidated	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Unsecured loans	**4,541**	**4,541**	3,457	3,457
Trade payables	**30,489**	**30,401**	22,043	21,893
Research grants received on account	**28,120**	**28,120**	24,978	24,978
Social security and other taxation payable	**4,725**	**4,725**	4,202	4,202
Accruals and deferred Income	**29,910**	**29,900**	24,201	24,201
	97,785	**97,687**	78,881	78,731

Deferred income

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

	Consolidated	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Donations	**1,842**	**1,842**	1,360	1,360

21. Creditors : amounts falling due after more than one year

	Consolidated	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Derivatives	**29,400**	**29,400**	25,467	25,467
Lease provided over land	**19,104**	**19,104**	-	-
Unsecured loans	**282,450**	**282,450**	117,110	117,110
	330,954	**330,954**	142,577	142,577

	Consolidated	**University**	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Analysis of unsecured loans				
Due within one year or on demand	**4,541**	**4,541**	3,457	3,457
Due between one and two years	**4,541**	**4,541**	3,457	3,457
Due between two and five years	**13,623**	**13,623**	31,039	31,039
Due in five years or more	**264,286**	**264,286**	82,614	82,614
Total secured and unsecure loans	**286,991**	**286,991**	120,567	120,567
Due within one year	**(4,541)**	**(4,541)**	(3,457)	(3,457)
Due after more than one year	**282,450**	**282,450**	117,110	117,110

Loans

On 26 July 2004 the University agreed a loan facility with Barclays Bank plc for £92m. The loan is unsecured and the terms are as follows:

- An existing loan of £41m repayable in equal quarterly instalments over a 30 year period providing finance for capital expenditure.
- An additional loan facility of up to £12m repayable in equal instalments over a 30 year period providing additional finance for capital expenditure. At 31 July 2018 this facility had been fully drawn down.
- A further loan facility of up to £35.5m, plus £1.5m interest added to the principal sum, repayable over a 30 year period commencing on 31 October 2006. The loan is profiled so that the repayments increase during the course of the loan.

All the above loans bear interest at LIBOR but are subject to interest rate hedging arrangements described below.

On 30 June 2014 loan funding was agreed with the North East Local Enterprise Partnership. The loan is for £10m to support IT infrastructure development including high performance computing and data management facilities as phase one of a larger project to develop novel complex data handling and laboratory space. The rate of interest is fixed at 1.9% and the loan is repayable over ten years which commenced 30 June 2019.

In August 2018 the University entered into a private placement to secure funding of £225m to support the delivery of the University Strategy 2017 – 2027:

- £80m is repayable in 2048 and charges annual interest at 2.66%
- £70m is repayable in 2058 and charges annual interest at 2.72%
- £75m is repayable in 2067 and charges annual interest at 2.67%

The loan liabilities have been classified according to the maturity date of the longest permitted refinancing.

Interest rate hedging

Under the terms of a loan taken out in 2010 the University committed to hedging at least 60% of its loan balances and developed and implemented a hedging strategy to achieve this over the term of the loans with additional protection against interest rate fluctuations for an additional 25% of the outstanding balance until July 2020. The hedging instruments in place at 31 July 2019 were as follows:

- £4.65m amortising to nil by March 2027, fixed at 5.66%;
- £23.4m amortising to nil by July 2034, fixed at 5.36%;
- £29.5m rising to £30.9m by July 2027 then amortising to £27m by July 2034 and then level until June 2040, fixed at 4.61%;
- £24.0m amortising to £23.4m by July 2020, fixed at 3.97%.

The fair value of the liability represented by these interest rate hedges is disclosed as Derivatives in the note above. These hedges are to remain in place even though some of the related loans were repaid in August 2018.

22. Provisions for liabilities

	Obligation to fund deficit on USS Pension	Defined Benefit Obligations (Note 28)	Total Pensions Provisions	Infrastructure funding	Strike deductions	Staff restructure	Total Other
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Consolidated							
At 1 August 2018	**36,908**	**44,257**	**81,165**	**870**	**761**	**200**	**1,831**
Utilised in year	(1,648)	-	(1,648)	-	-	(117)	(117)
Additions	81,735	9,128	90,863	-	-	6	6
Reductions	-	-	-	(870)	-	-	(870)
At 31 July 2019	**116,995**	**53,385**	**170,380**	**-**	**761**	**89**	**850**

	Obligation to fund deficit on USS Pension	Defined Benefit Obligations (Note 28)	Total Pensions Provisions	Infrastructure funding	Strike deductions	Staff restructure	Total Other
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
University							
At 1 August 2018	**36,908**	**44,257**	**81,165**	**-**	**761**	**200**	**961**
Utilised in year	(1,648)	-	(1,648)	-	-	(117)	(117)
Additions	81,735	9,128	90,863	-	-	6	6
Reductions	-	-	-	-	-	-	-
At 31 July 2019	**116,995**	**53,385**	**170,380**	**-**	**761**	**89**	**850**

Obligation to fund deficit on USS Pension

The USS scheme is a multi-employer scheme for which the assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore unable to identify its share of the underlying assets and liabilities of the scheme and, as required by Section 28 of FRS102 'Employee benefits', the scheme is accounted for as if it were a defined contribution scheme.

As part of the 2014 valuation of the USS pension scheme, the trustees determined, after consultation with the employers, a recovery plan to extinguish the shortfall by 31 March 2031. The contributions being paid by the employer include an amount designed to recover the deficit, the rates of which are disclosed in note 28a. In accordance with FRS102 Section 28, a liability is recognised for the contractual commitment to make such deficit contributions, calculated based on the value of deficit contributions over the period of the Recovery Plan discounted to their present fair value using an appropriate discount rate. The increase in the provision includes the amount of recovery contributions payable less the impact of unwinding the discount during 2019.

Defined Benefit Obligations

The deficit on the University sponsored pension scheme (DUPS) is recognised as a liability. Details of this scheme, including the basis of the accounting valuation and the movement in assets and liabilities and the resulting deficit, are disclosed in Note 28.

Staff restructuring

The provision relates to a voluntary severance scheme to enable staff to leave the University in order to promote increased efficiency and effectiveness in professional support services. The provision is the remainder of the expected cost of settlement relating to those staff who had accepted offers of severance by 31 July 2019.

Strike deductions

Some staff participated in national strike action during the year ended 31 July 2018 and deductions were taken from their pay. This sum is earmarked to be spent for the benefit of students and a commitment for such has been given to Durham Students' Union.

23. Endowment reserves

Consolidated and University	Restricted Permanent	Unrestricted Permanent	Restricted Expendable	2019 Total	2018 Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
At 1 August 2018					
Capital	30,113	31,505	9,352	**70,970**	69,357
Accumulated income	2,729	-	310	**3,039**	2,625
	32,842	31,505	9,662	**74,009**	71,982
New endowments	4,366	-	132	**4,498**	258
Investment income	1,013	207	296	**1,516**	1,238
Expenditure	(409)	(207)	(317)	**(933)**	(1,191)
Increase in market value of investments	2,272	499	538	**3,309**	1,722
Decrease in market value of properties	-	(1,375)	-	**(1,375)**	-
Transfer from General Funds	628	-	-	**628**	-
Transfer from Restricted reserves	285	-	-	**285**	-
Total endowment comprehensive income / (expenditure) for the year	8,155	(876)	649	**7,928**	2,027
At 31 July 2019	40,997	30,629	10,311	**81,937**	74,009
Represented by					
Capital	37,759	30,629	9,890	**78,278**	70,970
Accumulated income	3,238	-	421	**3,659**	3,039
	40,997	30,629	10,311	**81,937**	74,009
Analysis by type of purpose:					
Lectureships	440	-	3,421	**3,861**	14,861
Fellowships	12,466	-	-	**12,466**	400
Scholarships and bursaries	12,151	-	-	**12,151**	9,533
Research support	7,096	-	4,598	**11,694**	10,007
Prize funds	2,136	-	-	**2,136**	1,961
Student facilities	6,708	-	2,292	**9,000**	5,742
General	-	30,629	-	**30,629**	31,505
	40,997	30,629	10,311	**81,937**	74,009
Analysis by asset:					
Fixed assets				**16,646**	18,022
Current and non-current asset investments				**50,300**	45,980
Cash and cash equivalents				**14,991**	10,007
				81,937	74,009

24. Connected charitable institutions

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission. The movements in the year on the total funds of all connected institutions were as follows:

	College Trusts	Fellowships	Prizes	Scholarships	Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Opening balance 1 August 2018	**2,193**	**3,042**	**38**	**1,406**	**6,679**
Additions	164	-	-	-	**164**
Income	64	90	1	43	**198**
Expenditure	(151)	(91)	(1)	(17)	**(260)**
Change in market value	131	132	3	101	**367**
Closing balance at 31 July 2019	**2,401**	**3,173**	**41**	**1,533**	**7,148**
Number of funds	**5**	**2**	**2**	**9**	**18**

25. Restricted reserves

Consolidated and University	Unspent Capital Grants	Donations	2019 Total	2018 Total
	£'000	*£'000*	*£'000*	*£'000*
Balances at 1 August 2018	**3,513**	**6,820**	**10,333**	11,846
New grants	580	-	**580**	1,499
New donations	-	1,826	**1,826**	1,560
Transfer to endowments	-	(285)	**(285)**	-
Investment income	-	95	**95**	74
Capital grants utilised	(3,414)	-	**(3,414)**	(3,454)
Expenditure	-	(1,113)	**(1,113)**	(1,192)
Total restricted comprehensive Income / (expenditure) income for the year	(2,834)	523	**(2,311)**	(1,513)
At 31 July 2019	**679**	**7,343**	**8,022**	10,333

Consolidated and University	Unspent Capital Grants	Donations	2019 Total	2018 Total
	£'000	*£'000*	*£'000*	*£'000*
Analysis of other restricted funds/donations by type of purpose:				
Fellowships	-	464	**464**	510
Scholarships and bursaries	-	2,276	**2,276**	1,980
Research support	163	1,581	**1,744**	1,907
Student facilities	516	2,940	**3,456**	5,855
Prize funds	-	82	**82**	81
	679	**7,343**	**8,022**	10,333

26. Capital commitments

	Consolidated	University	Consolidated	University
	2019	**2019**	2018	2018
	£'000	*£'000*	*£'000*	*£'000*
Commitments contracted for	**37,016**	**37,016**	55,112	55,112

27. Lease obligations

	Land and Buildings	Plant and Machinery	**2019 Total**	2018
	£'000	*£'000*	*£000*	*£000*
Payable during the year	4,484	446	**4,930**	2,594
Future minimum lease payments due				
Not later than 1 year	4,484	446	**4,930**	2,594
Later than 1 year and not later than 5 years	8,505	21	**8,526**	8,913
Later than 5 years	29,865	-	**29,865**	31,957
Total lease payments due	**42,854**	**467**	**43,321**	43,464

28. Pensions

a. Universities Superannuation Scheme

The total cost of contributions charged to the Income and Expenditure account was £21,781,000 (2018: £19,890,000). This includes £1,931,000 (2018: £1,681,000) outstanding contributions at the balance sheet date.

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

Since the institution cannot identify its share of USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2017 valuation was the fourth valuation for the scheme under the scheme – specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £60.0b and the value of the Scheme's technical provisions was £67.5b indicating a shortfall of £7.5b and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

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

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

2019 and 2018

Pre-retirement	
Males members' mortality	71% of AMC00 (duration 0) for males
Females members' mortality	112% of AFC00 (duration 0) for females

Post-retirement	
Males members' mortality	96.5% of SAPS S1NMA 'light' for males
Females members' mortality	101.3% of RV00 for females

Future improvements to mortality CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

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

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	2.44%	**2.64%**
Pensionable salary growth	n/a	**n/a**
Price inflation (CPI)	2.11%	**2.02%**

b. Durham University Pension Scheme

Introduction

The University sponsors the Durham University Pension Scheme (the Scheme) which is a funded defined benefit pension scheme for qualifying University employees not eligible for membership of Universities Superannuation Scheme. The Scheme is administered by a separate board of Trustees which is legally separate from the University. The Trustees are composed of representatives of both the University and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Under the Scheme, up to 31 July 2016, employees are entitled to annual pensions on retirement at age 65 of 1/75th of Final Pensionable Salary for each year of service up to 31 July 2016. Final Pensionable Salary is defined as the highest Pensionable Salary received over any one year in the last three years. Benefits are also payable on death and following other events such as withdrawing from active service.

Following consultation with affected members, the University changed the benefits being built up in the Scheme with effect from 1 August 2016. From this date members build up an annual pension of 1/60th of their pensionable salary each year which will be revalued in line with CPI inflation subject to a cap of 2.5% p.a. This pension is payable from the later of age 65 and a member's State Pension Age (under legislation applying when they joined the new benefit scale). Benefits will also be payable on death and following other events such as withdrawing from active service.

No other post-retirement benefits are provided to these employees.

Profile of the plan

The defined benefit obligation includes benefits for current employees, former employees and current pensioners. At the latest funding valuation at 1 April 2018, 42% of the liabilities were attributable to current employees, 25% to former employees and 33% to current pensioners.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 1 April 2018 and showed a deficit of £25.2m. The deficit was expected to be removed by 29 February 2028 through a combination of additional contributions of 3.3% of pensionable salary and asset outperformance over and above that anticipated in the technical provisions. The trustees will monitor progress against this target. The next funding valuation is due to be carried out as at 1 April 2021, at which time progress towards full-funding will be reviewed. Over the accounting period the University paid contributions of 22.1% of Pensionable Salaries less member contributions in respect of accrual of benefits for current employees.

The University expects to contribute £5,200,000 in the year commencing 1 August 2019.

Risks associated with the Scheme

The Scheme exposes the University to a number of risks, the most significant of which are as follows:

Asset volatility	The liabilities for accounting purposes are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield this will create a deficit. The Scheme holds a significant proportion of growth assets (equities, property and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
Inflation	The majority of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although in most cases caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the liabilities.

The University and Trustees have a long-term intention to reduce investment risk as and when appropriate. This could include an asset-liability matching policy which aims to reduce the volatility of the Scheme's funding level by investing in assets such as swaps which perform in line with the Scheme's liabilities so as to protect against inflation being higher than expected. The Trustees insure certain benefits payable on death before retirement.

Reporting at 31 July 2019

The results of the latest funding valuation at 1 April 2018 have been adjusted to the balance sheet date taking account of experience over the period since 1 April 2018, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation and the related current service cost, were measured using the Projected Unit Credit Method.

Assumptions

The plan's liabilities have been calculated using the following principal actuarial assumptions which reflect the nature and term of the Plan's liabilities:

Main financial assumptions

	2019	2018
	% per annum	*% per annum*
RPI inflation	**3.20**	3.15
CPI inflation	**2.20**	2.05
Long term rate of salary increases	**3.50**	3.50
Rate of discount for Scheme liabilities	**2.15**	2.80
Increases to pensions in payment - minimum 3%	**3.60**	3.60
Increases to pensions in payment - maximum 2.5%	**2.25**	2.15

Non-financial assumptions

The most significant non-financial assumption is assumed longevity and the mortality assumptions adopted at 31 July 2019 imply the following life expectancies from age 65:

	2019	2018
	years	*years*
Male currently aged 65	**20.4**	21.5
Female currently aged 65	**22.6**	24.2
Male currently aged 45	**21.7**	23.2
Female currently aged 45	**24.2**	26.1

The mortality table adopted is the S2PXA table with a scaling factor of 115% for males and 110% for females. An allowance for future improvement has been made in line with CMI 2018 core projections assuming a long term rate of improvement in mortality of 1.25% p.a. for men and women.

Scheme assets

The assets of the Scheme were invested as follows:

	2019	2018
	£'000	*£'000*
UK equities	**10,409**	11,016
Overseas equities	**40,195**	36,792
Absolute return	**33,349**	32,083
Liability Driven Investments	**26,389**	18,766
Property	**11,259**	10,943
Cash / other	**3,871**	5,928
	125,472	115,528

Present values of Scheme liabilities, fair value of assets and deficit

	2019	2018
	£'000	*£'000*
Present value of Scheme liabilities	**(178,857)**	(159,785)
Fair value of Scheme assets	**125,472**	115,528
Net liability	**(53,385)**	(44,257)

Reconciliation of opening and closing balances of the present value of Scheme liabilities

	2019	2018
	£'000	*£'000*
Present value of Scheme liabilities at 1 August	**159,785**	157,815
Current service cost	**5,181**	5,418
Interest cost	**4,486**	4,194
Contributions by members	**44**	72
Actuarial gains / (losses)	**13,027**	(3,150)
Benefits paid and death in service insurance premiums	**(4,354)**	(4,589)
Past service costs	**688**	25
Present value of plan liabilities at 31 July	**178,857**	159,785

Reconciliation of opening and closing balances of the fair value of Scheme assets

	2019	2018
	£'000	*£'000*
Fair value of Scheme assets at 1 August	**115,528**	108,623
Interest income	**3,231**	2,864
Return on plan assets	**7,883**	5,192
Contributions by employer	**4,182**	4,091
Contributions by members	**44**	72
Benefits paid and death in service insurance premiums	**(4,354)**	(4,589)
Administration costs	**(1,042)**	(725)
Fair value of Scheme assets at 31 July	**125,472**	115,528

Analysis of the charge to the income and expenditure account

	2019	2018
	£'000	*£'000*
Analysis of operating charge		
Current service cost	**(5,181)**	(5,418)
Administration costs	**(1,042)**	(725)
Past service cost	**(688)**	(25)
Operating charge	**(6,911)**	(6,168)
Analysis of pension finance cost		
Interest income	**3,231**	2,864
Interest on plan liabilities	**(4,486)**	(4,194)
Pension finance cost	**(1,255)**	(1,330)
Total cost	**(8,166)**	(7,498)

Amount recognised in Other Comprehensive Income

	2019	2018
	£'000	*£'000*
Return on plan assets	**7,883**	5,192
Experience gains / (losses) arising on plan liabilities	**6,200**	(1,579)
Change in financial and demographic assumptions underlying the plan liabilities	**(19,227)**	4,729
	(5,144)	8,342

Amounts for the current and previous four years

	2019	2018	2017	2016	2015
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Fair value of assets	**125,472**	115,528	108,623	98,736	89,908
Present value of Scheme liabilities	**(178,857)**	(159,785)	(157,815)	(152,566)	(124,135)
Deficit in Scheme	**(53,385)**	(44,257)	(49,192)	(53,830)	(34,227)
Experience adjustment on Scheme liabilities	**6,200**	(1,579)	135	(1,055)	190
Experience adjustment on Scheme assets	**7,883**	5,192	7,674	6,526	6,036
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	**(19,227)**	4,729	266	(22,317)	(9,870)

c. NOW Pensions

In response to the government's requirement for all employers to introduce automatic enrolment into a pension scheme for eligible staff, the University has appointed Aviva Pensions to provide its workplace pension scheme for automatic enrolment. Aviva Pensions provides a money purchase scheme which invests employer and employee contributions to provide a member specific fund that will be converted into pension on the member's retirement.

Employer contributions are currently 2% and employees pay 3%. The cost to the University during 2019 was £198,000 (2018: £123,000).

29. Post Balance Sheet events

Included within Note 22 there is an addition to the provision, obligation to fund deficit on USS pension scheme, of £79,054,000. This figure is based on the assumptions used for the valuation as at 31 March 2017.

Since 31 July 2019 a re-valuation of the pension scheme as at 31 March 2018 has been agreed. The employer deficit contributions are 5% under the 2017 valuation but reduce to 2% under the 2018 valuation. This is a non-adjusting post balance sheet event and so the calculation is not updated in the financial statements. If the lower contribution rate were applied the addition in the year would be £31,515,000.

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