



Durham University
**Annual Report and
Financial Statements**
for the year ended
31 July 2018

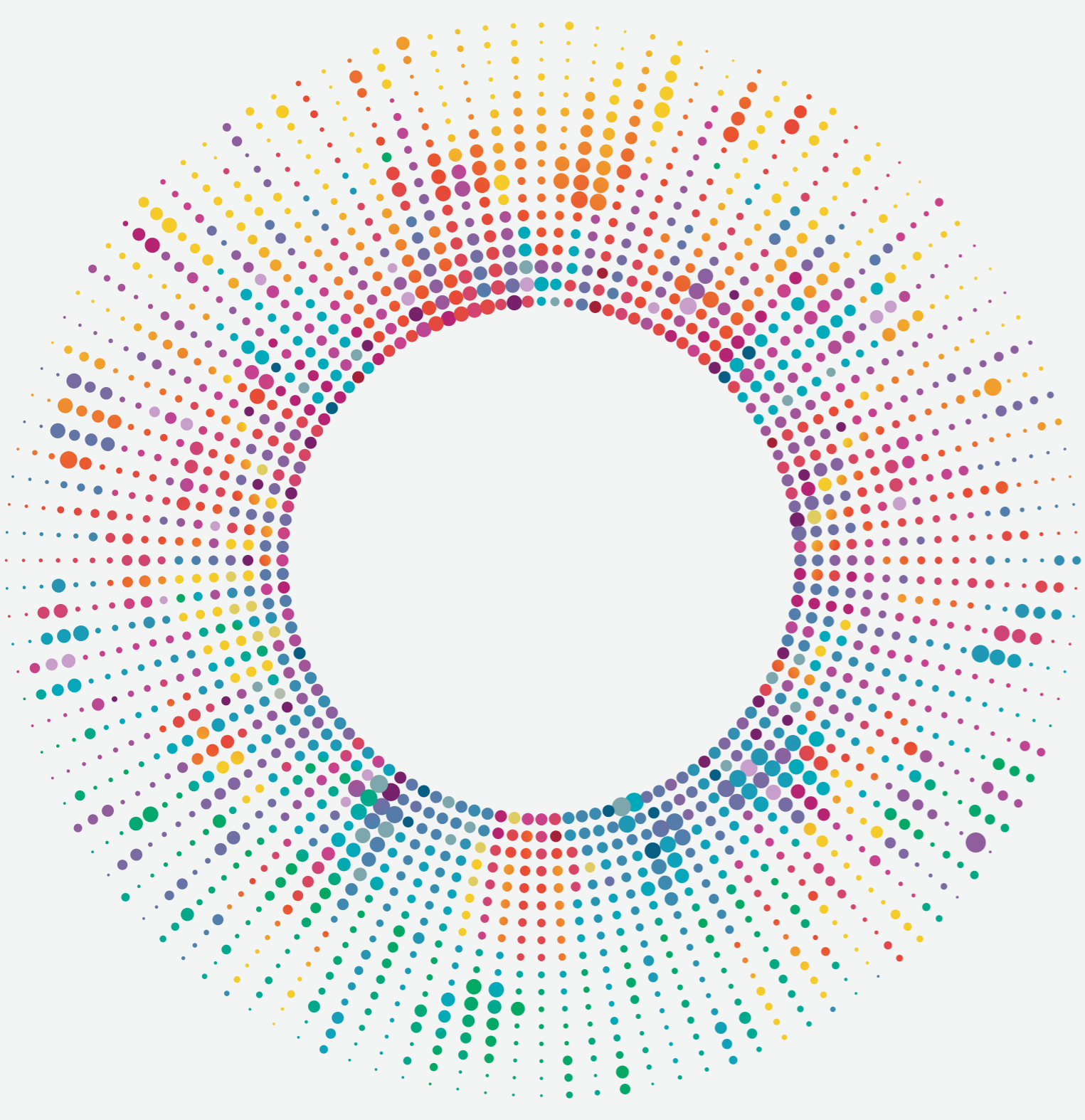


Introduction

Durham University, founded in 1832, is England's third oldest university, established from a long history of learning and scholarship in the city. As a charity, the University aims to provide a public benefit primarily through education and research, rooted in the local community it also makes a positive contribution to Durham City.

The University offers one of the broadest ranges of courses in the UK covering the Arts & Humanities, Sciences and Social Sciences with over 200 undergraduate and 130 postgraduate courses, plus many research programmes, across 25 departments. A member of the Russell Group of leading, research-intensive universities, Durham's education programmes are informed by research undertaken by talented staff in partnership with policy-makers, industry, the public sector and communities around the world.

Durham's 18,000 students benefit from the strong ethos of combining rigorous hard work on their degree course with a strong commitment to activities outside the curriculum resulting in high participation rates and excellence in sport, music, drama and volunteering. This ethos is endorsed through the 16 colleges which provide a great source of friendship, well-being, pastoral and scholarly support.



Contents

- 5 Introduction from the Chair of Council
- 6 Introduction from the Vice-Chancellor
- 7 Overview and Strategy
- 12 Operational Review
- 24 Financial Review
- 29 Governance
- 38 Independent Auditor's Report to Council
- 40 Statement of Principal Accounting Policies
- 45 Financial Statements

INTRODUCTION FROM THE CHAIR OF COUNCIL



This Annual Report provides an assessment of the current state of Durham University and outlines how Council ensures the institution fulfils its responsibilities as a charity.

The report outlines the role and responsibilities of the University, its activities, operating structures, environment, challenges and relative position in the sector. It confirms the strategic aims of the institution and how it draws on its resources to achieve these aims and provide benefit for stakeholders. The governance structure, led by Council, enables the University to draw on the experience and expertise of independent governors, staff and students to assess risks, challenges and opportunities to strengthen its development.

I took over the role of Chair of Council in October 2018, following Robert Gillespie who stepped down at the end of September after eleven years on Council, six years as Chair. I'd like to thank Robert for his outstanding leadership of Council and for supporting and advising the University through changes in its governance throughout his period as Chair, particularly during the crucial development of its new Strategy 2017-2027.

As I take on the baton of ensuring the sound governance of the University and delivery of the Strategy, I would also like to thank all Council and committee members who have provided advice, support and oversight to the development and commencement of implementation of the Strategy, and who have assessed the risks and opportunities created by the challenging external environment and the financial sustainability of the University, critical to which are the plans to deliver growth in student numbers, generate efficiency savings and build new facilities.

I am constantly impressed by the achievements of Durham, a selection of which are outlined in this report. As a relatively small institution it punches well above its weight in terms of competitiveness, performance on the global stage and research impact. This creates benefits for culture, society, health, the economy and physical environment and supports new businesses and employment within the North East of England and well beyond.

The University's excellent research-led teaching challenges students to think logically, critically and laterally with outstanding training and research opportunities provided through partnerships with private and public organisations. It also helps to raise aspirations by working with talented young people from key neighbourhoods in the region to encourage applications to university and provides financial assistance during their studies at Durham.

The support structure, enhanced through the University's collegiate system, provides a nurturing learning environment and a huge variety of extra-curricular activities, in sport, the arts and volunteering to help students make the most of their time at Durham and to develop a broad range of skills to support their future lives and careers.

The global position and reach of the University is strong and expanding. Staff and students come from many nationalities and go out to work and study with institutions and organisations around the world. This enriches the research, education, and wider student experience of its provision and supports social development across the world.

I look forward to my first year as Chair of Council. Along with my Council colleagues I will continue to monitor and evaluate the performance and effectiveness of the University to ensure delivery of its ambitious Strategy and future success, and to deliver so much for so many people.

Mr Joe Docherty
Chair of Council



INTRODUCTION FROM THE VICE-CHANCELLOR

This academic year has seen significant further work to achieve the goals set out in the University Strategy 2017-2027. The repurposing of the University's campus in Stockton – The Queen's Campus – has been completed and the first year of operations of the Durham International Study Centre in Stockton has been a great success. The University has also recruited over 80 new academics of great distinction to Durham City and we look forward to another very large academic recruitment round – over 120 new posts – in academic year 2018/19.

Alongside our strategic development work, the University has been successful in gaining recognition for our outstanding education provision in the form of TEF Gold, significant new research funding, a large number of awards for staff and students and improvements or maintenance of our league table positions. This success has been achieved through a lot of hard work from committed staff across the University.

As is well known, the higher education sector in the UK is currently facing a good deal of uncertainty. We await the outcome of the government review of the funding of post-18 education and we continue to monitor on-going Brexit discussions and the impact of the new regulatory framework in England. Durham is working hard to determine its own future by continually raising its international profile and by investing heavily in its staff recruitment activities, estate and IT systems. As always, our research influences national and international policies on a range of issues and our staff are increasingly involved in national organisations lobbying for the sector and Durham, an activity that will be enhanced when the University opens a small office base in London in late 2018.

The process to register with the sector's new regulatory body, the Office for Students (OfS), will prompt us to set even more ambitious targets for our widening participation activities and to offer ever better value for money to our students. We already do this through our College system and the activities of Experience Durham and the Students' Union, but there is more that we can do. The University is currently working on a Durham Inspired Award that will reward students for their participatory activities and volunteering and provide them with new courses on Global Citizenship and The Argument Clinic alongside Masterclasses from Durham academics and some of our Professors in Practice. A new Leadership Academy is also in development and we are working with local community groups to develop a student induction programme which will better introduce our Freshers to Durham City and the extraordinary County and region in which we study, work and live.



We know who we are and where we are going. We are doing well already but we are keen to be SO MUCH MORE.

The University is proudly rooted in Durham and is committed to providing further employment, economic growth and shared facilities for local people. At the same time, we recognise that the growth of the University can lead to occasional tensions in the city around issues including noise and refuse and we are working hard through our Community Engagement Task Force to ensure that the benefits of growth far exceed the costs for everyone who loves this part of the world.

The next academic year will be as busy as the previous one as we continue our plans in line with the Strategy 2017-2027 and deliver our goals. The support of our governing body, Council, is critical in ensuring that we have the right checks and balances in place as we pursue our work. I am hugely grateful to Robert Gillespie for his wise counsel and support to myself and the Executive over the past few years in helping us to achieve ambitious new milestones and I look forward to working closely with the incoming Chair of Council, Joe Docherty.

Professor Stuart Corbridge
Vice-Chancellor and Warden



Overview and strategy

Durham is a world top 100 university, ranked 74th in the most recent QS World University Rankings, and one of the top universities in the UK.

Overall Durham is performing extremely well globally and is consistently ranked in the top ten across all national league tables. The University ranks very highly on entry standards and graduate prospects.

Durham University's national and international league table position is presented in the table below.

Durham University League Table Performance

League Table	2016	2017	2018
Complete University Guide	6th	6th	6th
The Times and Sunday Times Good University Guide	4th	5th	7th
The Guardian	6th	4th	5th
QS (Quacquarelli Symonds) World University Rankings	74th	78th	74th
Times Higher Education (THE) World University Rankings	96th	97th	114th

Key Performance Indicators	Current	Target
Times and Sunday Times Good University Guide	7th	Top 5

Our Characteristics

We are:

••
Welcoming

We are open and friendly

••
Collegiate

We prize our colleges and sense of community

••
Inclusive

We value each other and embrace difference

Our Values

We are:

••
Motivated

We like to participate and achieve our goals

••
Inquisitive

We prize intellectual freedom and curiosity

••
Challenging

We like to push boundaries and ourselves

••
Rigorous

We value knowledge and clear thinking

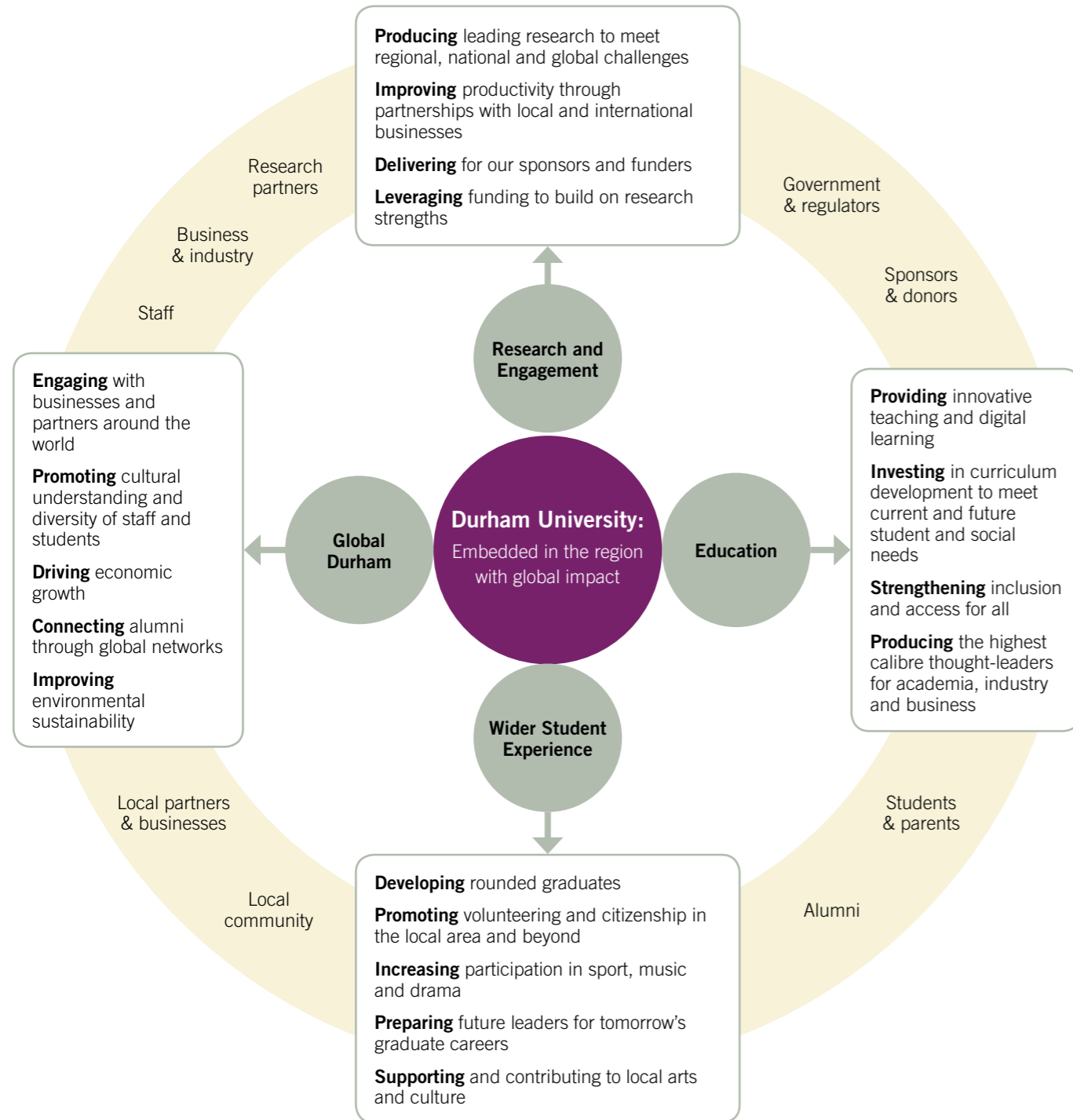
••
Innovative

We work at the frontier to improve lives

Overview and strategy

Creating Value

The model below is based on the key themes of the Strategy and demonstrates how the University creates benefit for its major stakeholders in line with its characteristics and values.



Social Responsibility

The University strives to be a socially responsible institution and to contribute effectively to economic and social development; establishing partnerships with social enterprises and public sector organisations which facilitate translation of knowledge and understanding to wider public benefit; promoting volunteering and community engagement as a means of using expertise to contribute to social well-being; and promoting sustainable initiatives for the benefit of future generations.

The University generates £3.21 for the UK economy for every £1 received in funding (BiGGAR Economics 2016). It presents a wide variety of lectures, concerts and performances for the public and its sports centres provide outreach programmes, community clubs and holiday camps for the local community and facilities for full-time senior athletes.

During 2017/18 Durham University:

- Welcomed 391,000 people to its attractions including the Palace Green Library, Oriental Museum and Botanic Garden;
- Welcomed 23,500 school children from County Durham to the UNESCO World Heritage Site, managed with Durham Cathedral;
- Was a major partner in city events including the Durham Book Festival, Lumiere light festival and Durham Pride;
- Switched its electricity supply to the Blyth Offshore wind farm in Northumberland;
- Agreed to divest investments from companies involved in fossil fuel extraction and to become a major partner in the future development of green energy;
- Joined the water refill campaign aimed at reducing plastic waste, the second university in the UK to do so;
- Retained its Marine Stewardship Council fish accreditation for its environmentally conscious catering service.

Vision and strategic goals

The University Strategy 2017-2027 was launched in May 2017 and sets out a plan to make Durham University better defined thematically and geographically, more globally visible, world-leading in all its core areas, with a stronger and sustainable business model. It will be a forceful voice in national and international affairs and will be widely recognised for its ability to combine innovation and leadership with a strong sense of community and heritage.

Overarching Aims

Durham University is already one of the world's best universities. To achieve its vision for 2027, it is committed to three strategic goals of equal weight:

- producing world-leading and world-changing research across all of its core academic units;
- delivering an education that is challenging, enabling, research-led and transformative;
- providing its students with a wider experience that is as good as any in the world, through the colleges, Experience Durham activities and the Durham Students' Union.

The University is also committed to being an active and positive presence for its members throughout their lives: it works hard to establish a culture of affection that binds together past, present and prospective members. It seeks to extend these networks of affection and support across the local communities in which it is situated, in the process engaging, empowering and learning from a wide range of external stakeholders.

What has been achieved

Over the past year, a critical initiative of the University Strategy was achieved; the repurposing of the University's Queen's Campus at Stockton. All academic and college activities have been relocated from Stockton to Durham City and the International Study Centre at the Queen's Campus hosted its first intake of students, putting it at the heart of the international ambitions of the University. In addition, the School of Medicine, Pharmacy and Health transferred from Durham to Newcastle University, optimising its further success. The integration of staff and students within Durham City has enhanced the University's educational offering, increasing opportunities for students to interact with peers and academics and will enable additional choice and flexibility in degree programmes. It will improve research performance by increasing the scale of research groupings and attractiveness for world-leading staff. The move will also deliver increased efficiency and long-term financial sustainability.

The building of an innovative new Centre for Teaching and Learning began in December 2017 and is due to be completed by September 2019. Durham celebrated its recognition as the number one team sports university and is enhancing sport further through a refurbished and expanded Sports Park, which will deliver state-of-the-art sports facilities and laboratories.

Overview and strategy



Artist impression of the new Maths and Computer Science building

Future plans

The University has taken its first steps on the path to significantly growing several academic departments in order to achieve critical mass and be globally competitive across all its subject areas by 2027.

Outstanding, mainly early career, staff are, and will continue to be, recruited across the University over the course of the Strategy period. Other departments will be reshaped or restructured to consolidate and extend academic success. The University will continue to invest in professional services,

including through its new People Strategy that will prioritise well-being, mutual respect, talent management and high performance standards, but overall there will be a re-balancing of the staffing profile towards the core academic enterprise. The overall student and academic staff growth planned for the University from the baseline year of 2015/16 to the end of the Strategy period in 2026/27 are presented in the tables below. This indicates planned student number growth of just under 4,000 with growth in staff numbers of 310 FTE (full-time equivalent) over the same period, to support research and teaching excellence.

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

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

The University has embarked on a comprehensive programme of estate development over three phases. The first phase, which will be completed by 2020, includes a new building for Mathematical Sciences and Computer Science, a purpose-built new home for the John Snow College and a new college to open at Mount Oswald in September 2020. The second phase includes new developments for Arts and Humanities departments at Elvet Riverside. The third phase will focus on development at the science site.

The University aims to be a focal point in the North East for work on culture and heritage. It will work closely with a wide range of partner organisations in this space. With philanthropic support, it is hoped that Durham's cultural presence in the North East will be further evident through a large scale performance venue. Alongside new indoor sports facilities, this will help Durham in its aspiration to be positioned as the premier 'student experience and excellence' university in the UK and will benefit the city and region.

The University is launching a new Department of Sport and Exercise Sciences in 2018/19 to further build on its reputation as a global leader in the field of academic sport and exercise. Professor Tim Clark, Pro-Vice-Chancellor (Social Sciences and Health), said: "Developing academic sport is a natural strategic fit for Durham, a University which prides itself on its exceptional sporting prowess. Throughout their time at Durham, undergraduate and postgraduate students have fantastic opportunities to be heavily involved in the University's outstanding high performance, college and community sport programmes run by Team Durham."

The University is rooted in its local communities. It is proud of the positive contribution made to Durham city, economically, culturally, socially and through world-leading research. Its planned growth and development is to ensure the long-term sustainability and continued success of the University and to do this in a way that benefits everyone in the city and region by 'growing together'. To enhance this, the University has recently recruited its first Community Liaison Officer to provide a link between the University and its local communities.

To support the University to achieve its objectives it has 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	<p>Brexit Management Group</p> <p>Active participation in sector groups and networks e.g. Russell Group, and associated lobbying</p> <p>Core elements of University Strategy to diversify income base, strengthen international engagement, reduce support costs and increase surplus</p> <p>Modelling of changes to tuition fee regime</p>

Continued

Risk	Key Controls
Insufficient resolve to take forward the major opportunities, key initiatives and level of investment required to achieve the objectives of the 2017-27 Strategy	<p>Engagement between the University Executive Committee, Senate and Council</p> <p>Monitoring by University Executive Committee</p> <p>Critical Initiatives Delivery Unit established</p> <p>Development of the senior leadership team</p> <p>Strategy engagement events (e.g. town halls, Strategy summits)</p> <p>Redefined annual planning cycle</p> <p>Integrated termly reporting on progress, performance and planning</p>
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	<p>Changes in local working practices and performance management</p> <p>Programme management arrangements and resources</p> <p>Development of the senior leadership team</p> <p>Strategy engagement events (e.g. town halls, Strategy summits)</p> <p>Internal communications and training</p> <p>Redefined annual planning cycle</p> <p>Integrated termly reporting on progress, performance and planning</p> <p>Reacting to feedback on demand and responding with additional resource where needed, using internal and external consultants as and when required</p>

In addition to these overarching risks, there are specific risks in each of the 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) are, 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



Staff Volunteering Team Challenge

Goal

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

What has been achieved

● ● Many of the key reforms in the People Strategy were put in place over the last two years and these are now impacting on staff recruitment, reward and retention. A revised annual academic planning round was introduced to ensure that the Executive works with departments to address key gaps in provision. Clearer career tracks have been implemented and recruitment, probation and progression systems have been changed. The Equality, Diversity and Inclusion (EDI) unit is now better resourced and is working hard on EDI issues including the development of an action plan to address the current gender pay gap of 25% across the University. Currently 37% of the academic staff at the University are female, compared with 44% in the top third of the Russell Group and 23% of professors are female, compared with 30% of the top third of the Russell Group.

● ● A successful worldwide recruitment campaign took place in 2017/18 for 111 academic posts and a further campaign for 121 posts is to be launched in 2018. The University has been successful in making exceptional appointments which has also assisted the gender balance. The last two recruitment rounds have seen a shift in the proportion of female academic staff recruited, from 38% in 2016/17 to 47% in 2017/18.

New career tracks for teaching, research and professional faculty members have been developed and implemented. These are supportive of the development needs of academic staff, and also their future development plans, and those of the faculties. New relevant review procedures have been put in place to build and support a world-class faculty across all departments.

A new career structure and development pathway model has been developed and is currently being piloted for professional services staff based on job families which will help in identifying and acknowledging the significant contribution that professional services staff make to the academic endeavour and the student experience within Durham University.

The University welcomed the arrival of its first Pro-Vice-Chancellor (Global) in January 2018 who is responsible for the strategic leadership and implementation of the University's international agenda, a key part of the University's Strategy.

The Durham Operating Excellence Strategy (DOES) has now closed as a distinct programme, but work is continuing to ensure effective and efficient professional services. This includes a focus on making sure the necessary strong foundations are in place to deliver much improved IT systems, consistent and replicable HR and Finance data and meaningful job families. The Workplace Challenge Scheme is encouraging continuous improvement and innovative approaches.

The University operates one of the country's leading employer supported volunteer programmes, which offers staff the opportunity to volunteer, in work time, for up to five days per year, providing practical help to a range of local charities and community partners.

Future plans

● ● The University aims to be an employer of choice.

The importance of the well-being of the workforce is recognised alongside the need to learn from best practice, to develop exemplar policy and practices which support positive working environments and to proactively support equality, diversity and inclusion across the workforce. The overall goal of the People Strategy is to ensure that Durham University has a workforce in place which is collectively able to deliver world-class research and engagement, education and a wider student experience on a consistent and sustainable basis.

Investment in the recruitment of new staff is planned annually throughout the course of the Strategy. The University is committed to building a world-class faculty and professional service that is at least as diverse and innovative as those of its peers. Whilst there have been improvements in the diversity of the workforce, there is still work to do. A main aim of the revised and improved arrangements for academic recruitment and progression is to address these challenges. The introduction of job families in professional services will create clearly articulated career pathways with a supporting development framework to help staff realise their full potential.

New approaches to pay and reward are also being developed to ensure policies reflect best practice, including the appropriate approach to the setting of base pay and the use of market supplements, performance-related pay and contribution pay. The University will continue to assess the impact of pay policies by undertaking equality impact assessments and equal pay audits. This evidence based approach will inform the development of the most effective reward systems for academic and professional services staff.

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

Related 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
	New website for talent search and recruitment
	Annual progression process
	Academic career tracks
	Salary benchmarking against UK peers, market supplements and start-up resources offered
	Staff development including senior leadership development programmes
	New mentoring process
Performance management and workforce planning	
Strengthening international alliances and diversity	



Operational Review

Research and Engagement

Goal

●● To strengthen Durham University 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

●● Durham University departments deliver world-leading research with many projects that are helping to address the United Nation's (UN) Sustainable Development Goals. In the QS World Rankings Durham University is joint 2nd among UK universities, and joint 75th globally, for research citations. In the QS World University Subject Rankings the University achieved its best results to date with three subjects in the World Top 10 – Theology and Religion (3rd), Archaeology (5th) and Geography (6th) - nine subjects in the Global Top 50 and a total of 16 subjects in the Global Top 100.

The University's academics are often recognised for their contributions. This year, Professor Jas Pal Badyal, FRS, became the first UK-born scientist to receive the Chemical Research Society of India's International Medal for his work in developing nanocoatings for technological and societal applications; Professor Graham Sandford received the 2018 AstraZenica, GlaxoSmithKline, Pfizer and Syngenta Prize for Process Chemistry Research for work which could increase the availability of an effective treatment for a strain of meningitis in less developed countries; Professor Michael Spannowsky was awarded the Friedrich Wilhelm Bessel Research Award in recognition of his work on Higgs boson phenomenology; and eleven colleagues were selected to join sub-panels ahead of the 2021 Research Excellence Framework (REF).

The reforms outlined in the People section give strong signals through both recruitment and progression that the University is focused on further improving the quality of the research it produces. The University is also raising awareness and the reach of its world-leading research excellence. The University is enhancing the research support and leave arrangements that research active staff receive so that these are on a par with key Russell Group peers. To this end 2017/18 marked the first year that all academic staff were provided with conference, seminar and travel budgets.

Resources are being provided for a substantial, growing and high performing cohort of postgraduate and post-doctoral researchers, with a particular emphasis on ensuring critical mass in science. Not only does the University have ten Doctoral Training Centres, but 2017/18 marked the first year of the Chancellor's Scholarships scheme, with an additional resourcing of £2m per annum for PhD and post-doctoral support.

CASE STUDY



Caring for babies: Parent-Infant Sleep Lab

●● In 2018 Durham University was awarded a Queen's Anniversary Prize for the work of its Parent-Infant Sleep Lab for leading influential research on parent-infant sleep with a widely-used public information service.

Under the direction of Professor Helen Ball, the Lab's work with more than 5,000 parents and babies has substantially increased parents' understanding of babies' sleep, how best to care for babies during the night, and how best to keep them safe when asleep.

Working together with partner organisations, the research of the Parent-Infant Sleep Lab in the Department of Anthropology has helped to reduce rates of Sudden Infant Death Syndrome (SIDS) through evidence-based advice for health professionals and parents.

Projects include those that have looked at the risks and benefits of bed-sharing with babies; safer sleeping arrangements for twin babies; physical closeness between mother and baby on the postnatal ward and what this means for breastfeeding; how parents understand infant sleep development; and use of so-called 'baby bed boxes'.

The research has international reach and the use of side-car cribs on postnatal wards has spread from the UK to Europe, USA and Australia. Side-car cribs are cots that can be attached to the mother's bed without a barrier between the two, keeping mothers and babies close with benefits for breastfeeding and responsiveness to babies in the early postnatal period.

Stuart Corbridge, Vice Chancellor said "We are hugely honoured to receive this prestigious award, which recognises the immensely valuable and wide-reaching impact of the research carried out by the team in the Parent-Infant Sleep Lab. At Durham, we aim to deliver research that is world-leading and world-changing and the work of the Parent-Infant Sleep Lab is a perfect example of this commitment."

Future plans

●● Critical mass will be built across the University throughout the Strategy period, with very significant growth in Mathematical Sciences, Computer Science, Durham University Business School, the School of Government and International Affairs, Law, English Studies and History. These investments in outstanding and well-supported faculty members will be implemented in a way that will also improve the applied nature of the research undertaken at Durham University and will enhance equality, diversity and inclusion across the institution.

Following a review of interdisciplinary research in 2016/17 a new policy for University Research Institutes (URIs) is being developed for implementation in 2018/19. This will result in the building of new URIs to support interdisciplinary research to address global challenges.

In order to deliver a critical mass of high quality research outputs and impact on a sustainable basis the University will continue to develop Knowledge Exchange through incentivising innovation, enterprise and partnerships. For example, the University is working with Durham County Council and Business Durham to develop NETPark, North East England's only science park. As part of its plans for enhancing the regional and economic contribution of the University, Durham is leading a new project that brings together the North East of England's universities to commercialise research and boost the region's economy with £4.9m in Government funding from the Connecting Capability Fund (CCF). The project was awarded in March 2018 and will run until March 2021. It focuses on four key areas of regional strength – advanced manufacturing, the chemicals and process sector, life sciences and healthcare and digital.

Roy Sandbach OBE, Chair of the North Accelerator Strategic Advisory Board, said: "This award supports a leading-edge approach to the engagement of academia with business expertise, providing start-up advice, development and long-term funding. It will be a game-changer for the North East's economy and a vital contribution to the delivery of regional strategic economic plans."

The University will continue to significantly invest in research support. A new research information system, Worktribe, will be implemented by summer 2019 to provide timely and accurate

management information to underpin decision making and reporting. The IT infrastructure will continue to be enhanced, including investment in high performance computing.

The University will deliver a high-quality academic estate, including targeted investments in buildings, libraries, museums, laboratories and equipment to support a world-leading research culture. In 2018/19 the University will invest over £3m into capital research equipment across 13 of its departments to enhance research capability, including £485k to Engineering for a Smart Energy Tech Hive and £325k to Music to upgrade its Audiovisual Documentation and Analysis Laboratory, Concert Room and other infrastructure and equipment. This investment is in addition to match funding on research grants.

Key Performance Indicators	Current	Target
Citations per academic staff member	2nd 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	1.55 per core academic FTE (17th in Russell Group) in 2016/17	2 per academic FTE

Related 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 New conference, travel and seminar support Research pricing policies Research incentives

Operational Review

Education

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

● ● The University was awarded the highest possible accolade in the Teaching Excellence and Student Outcomes Framework (TEF). In particular, the TEF Panel praised the University for the excellent rates of progression to highly skilled employment or further study for full-time students, and the University's research-led education, which provides students with the skills which are most valued by employers. The institutional culture at Durham, which rigorously monitors and rewards excellence in teaching, was also highly commended by the Panel.

Professor Alan Houston, Pro-Vice-Chancellor (Education), commented: "To be awarded Gold is a wonderful recognition of the talent and dedication of our staff. We strive to empower students through enquiry-based learning, and the impact of this can be seen through the remarkable achievements of our students."

The Durham Centre for Academic Development (DCAD) was launched in August 2018. DCAD will deliver sector-leading programmes in learning and teaching, enhancing educational provision for both students and staff, and enabling all to reach their full potential. Through skill-sharing, investment in learning technologies, and the drive to experiment and innovate, the DCAD team will be empowered with the ability to question, challenge and change. DCAD will bring together three key areas of activity: a learning lab, where new pedagogies and teaching technologies can be tested; a centre for professional development, providing continuous professional development for all members of the University's teaching community; and a supplemental instruction hub, where students can receive help with study skills, English composition and maths.

The University has teamed up with private and public sector organisations to establish doctoral training partnerships and centres that provide outstanding training and research opportunities. Subjects include Visual Culture, Environmental and Earth Sciences, Energy and Islamic Finance.

A Supported Progression programme is offered for talented students studying in the North East, Cumbria and Yorkshire who have the potential to study at a university like Durham and who will benefit from additional help and support to reach their full potential.

Durham University is committed to recognising and rewarding excellence in teaching, and high levels of student satisfaction and achievement are facilitated by the very high quality of core

full and part-time academic teaching staff. All such staff, including senior research active staff have teaching responsibilities. Given Durham's status as a research institution, this means that students are taught by world-leading researchers, and are exposed to cutting-edge ideas and methodologies in their disciplines from the outset of their studies. Durham University is proud that a very high percentage of staff are fellows of the Higher Education Academy. This year, seven colleagues were honoured with a University Excellence in Learning and Teaching Award.



CASE STUDY

Image: Mark Carline

Commission on Creativity and Education

● ● The Durham Commission on Creativity and Education is a collaboration between Arts Council England and Durham University that aims to identify ways in which creativity, and specifically creative thinking, can play a larger part in the lives of young people from birth to the age of 25, both within and beyond the current education system.

Crucially, the Commission hopes to find out what already works well and where there might be gaps that can be addressed. The benefits of a creative education will be looked at within the themes of economic growth, skills, and social mobility; community identity and social engagement and personal fulfilment and wellbeing.



Durham Schools' Science Festival

Future plans

● ● A new Access Agreement 2018-2019 has been agreed with the Office for Fair Access (OFFA). This Agreement reaffirms the University's commitment to widening participation in higher education, investing £11.5m 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 through their course.

New initiatives include:

- Expanding the number of students on the Supported Progression Scheme, using campus-based programmes and projects to strengthen disadvantaged students in the transition from school to university;
- Using 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;
- DCAD will use research-based innovations in teaching and learning to enhance the educational attainment of all students.

The University intends to develop stronger partnerships with local schools, building on established links such as the supported progression scheme, the collaborative work of the University's School of Education, and the voluntary activity of the University's staff and students.

The University will establish new competitive, academic scholarships for students from under-represented groups. Internship and placement opportunities specifically designed for students from under-represented groups will also be established. This targeted progression activity will be delivered through the Careers, Employability and Enterprise Centre (CEEC).

A process is underway to make sure that curriculum pathways are both clear to students and educationally robust. This process will ensure that more efficient timetabling and space utilisation will be achieved.

The University aims to provide the vast majority of its undergraduate students with some form of work experience before they graduate. To achieve this, expanded opportunities for placements, internships and work experience will be in place by 2019/20.

Continuous refurbishment, upgrading and redesign of teaching spaces and platforms are planned at £2-3m per annum over the course of the Strategy to provide new and adaptable teaching and learning spaces.

Key Performance Indicators	Current	Target
Performance in the National Student Survey	84.6% overall satisfaction with course (2017/18)	Top decile overall in the UK
Proportion of Durham students working or studying abroad as part of their degrees	10% (2017/18)	25%

Related Risk	Key Controls
Failure to achieve undergraduate (UG) and postgraduate (PG) student recruitment quality and quantity targets (Home/ International/ UG/PG)	International study centre established
	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

Operational Review

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

● ● College life offers a vibrant, supportive community full of opportunities for students to gain new experiences, develop new skills and achieve more. Colleges provide accommodation, a community for forming friendships, a place to try new things, develop teamwork and leadership skills through the numerous societies, events and associations available, with support from dedicated staff.

Colleges also provide unique opportunities for their students such as conversational lectures at Hatfield, the Annual Arts Week at St Mary's, a funded internship programme at Collingwood and Josephine Butler dinners with alumni discussing their careers. This sense of community the colleges provide extends after graduation with opportunities to 'give back' and alumni networking events at Durham and around the world.

With opportunities at both college and University level, Durham's record in drama, music and team sports has been unsurpassed in the UK in recent years. Rates of participation on 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.

Since 2015 the University has enjoyed more success in music and theatre competitions than any other UK university.

At the National Student Drama Festival (NSDF) 2018, four of the sixteen shows were from Durham, which is one of the most successful and represented of any university at the festival.

A wide range of volunteering activities are provided to students within their colleges and at a University level. At the Student Volunteering Week in February 300 students participated in 50 separate events, carrying out over 700 volunteering hours. The University is proud of how active its students are as volunteers, with over 35,000 hours committed to these activities last year.

The annual Volunteer Awards ceremony was held at Durham Town Hall on 12 June to recognise the achievements over the past year. Owen Adams, Pro-Vice-Chancellor (Colleges and Student Experience), said: "It was a pleasure to honour the outstanding achievements of our staff and students in volunteering. I know our students value the relationships they

build with members of the local community – it is a very important and special part of life for so many of our students. There were many inspiring examples of community spirit, and my congratulations go to all involved in this valuable work supporting such a wide range of charities and good causes. Whilst our staff and students already do so much, we are committed to doing even more and we specifically want to work with the local community to understand how we can best achieve this."

The University's commitment to the wider student experience has been recognised externally. This year, the University was highly commended in the Outstanding Support for Students Category in the Times Higher Education Awards for the work of our Sexual Violence Task Force and along with Durham Students' Union secured 'Alcohol Impact' accreditation from the National Union of Students for its commitment to promoting a responsible approach to drinking.

CASE STUDY

Community Outreach and Sustainability

● ● The community outreach work undertaken by Van Mildert College was recognised as being amongst the best of any college or university anywhere in the world this year.

The College won the UK and Ireland Green Gown Award in November 2017 and was subsequently shortlisted for the International Green Gown award for Community. The awards recognise exceptional sustainability initiatives undertaken by colleges and universities.

Professor David Harper, Principal of Van Mildert College, said: "We are extremely proud to have been shortlisted for the International Green Gown Award for Community. To be recognised as among the best examples of outreach and volunteering in any college or university anywhere in the world is a truly exceptional achievement."

Judges of the International Green Gown Awards said of Van Mildert College's community work: "A great student-led project with volunteering and having an impact on younger people and the surrounding community."



Van Mildert College students

Future plans

● ● A central component of Widening Student Experience is the refocusing of activity around student development. The University is developing a Durham Inspired Award that will offer all students courses on logical thinking ('the Argument Clinic'), global citizenship and study skills, as well as credits for participation in drama, leadership, music, sport and volunteering. The Durham Inspired Award will aim to further build a framework around development and leadership for Durham students, delivered through both co-curricula and extra-curricula activities.

The Experience Durham Leadership Academy will expand in coming years to incorporate and develop work that is undertaken throughout the University. This begins with a pilot programme in 2018/19 and will be expanded further in 2019/20.

Between four and 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	Target
Staff and student volunteering hours	37,600	100,000 per annum
Proportion of students gaining the Durham Inspired Award	n/a	75%

Related Risk	Key Controls
Failure to provide world-class wider student experience	College system and college councils
	Wider Student Experience Committee
	Experience Durham
	Library and IT facilities
	Careers service, counselling, mental health support, disability support.
Failure to maintain and improve existing estate and deliver the University Estate Masterplan	International student support
	Sexual Violence and Misconduct operations group
	Respect, alcohol and sexual misconduct policies
	Estates Programme Board with two sub-groups to oversee estates developments in particular phasing and planning
	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

Operational Review

Global Durham



DISC students

Goal

● ● To position Durham University 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

● ● The University currently recruits around 22% of its students from outside the European Union and has a growing complement of non-UK academic and professional staff. 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.

The Durham International Study Centre (DISC) was established in 2017 on the Queen's Campus at Stockton in partnership with Study Group. In 2017/18, 730 students studied at DISC and around 80% have now progressed to enter a degree programme at the University in 2018/19, higher than originally forecast. Recruitment to DISC for 2018/19 has been highly successful with 580 students welcomed in September and a further 220 expected in January. As a critical component of delivery of the University's International Strategy, at peak capacity the DISC will provide 35% of the University's international student intake, with an anticipated increase in tuition fees of £200m over the life of the ten year contract.

Jai Lin (pictured right) is from Malaysia and started the International Foundation Year in the first cohort in September 2017 before being offered a place on BSc (Hons) Biological Sciences, said "I like Queen's Campus...it's quite small, which is good because it actually forms a close-knit community where

you can bump into your friends very often – in the café, library, or the canteen, sometimes even on the stairs. Even though your friends are doing different courses, different timetables, you can still meet them and you hang out together. So, it's actually a great distraction from homesickness."

The University has had recent success in establishing international partnerships and gaining grants to support its global ambitions and the UN's Sustainable Development goals.

Three new International Institutional Student Exchange Agreements were established in 2017/18, with Seoul National University, South Korea; Kyoto University, Japan; and University of the Chinese Academy of Science, China.

Durham University's English Language Centre delivered the second Mexican off-shore pre-sessional programme in energy-related research for 140 prospective postgraduate students across two sites in Culiacan and Chihuahua. So far over 40 students have been recruited to Durham through this programme.

Professor Graham Sandford (Chemistry) led an international team to secure one of the first GCRF Collective Call awards 'A Global Network for Neglected Tropical Diseases'. This significant £6.7m award brings together an international team from the UK, Brazil, Argentina, India and Pakistan to work towards new therapies for Neglected Tropical Diseases.

Durham also had a significant success in the new Rutherford Strategic Partner awards. Dr Paul McGonigal and Dr Alyssa Avestro (both Chemistry) secured £150k funding to recruit four research fellows from India, Mexico and Malaysia. Working alongside Durham academics in the Chemistry, Physics and Engineering departments, the fellows will develop Organic Energy Materials to address the world's energy needs.

The Leverhulme Trust has awarded a Doctoral Scholarships grant to a cross-Faculty interdisciplinary project lead by Professor Phillip Steinberg (Geography). This prestigious £1m award will fund 15 scholarships to train students in the study of the Arctic using an interdisciplinary and international outlook, and builds on Durham's membership of the University of the Arctic (UArctic) network by offering student placements and fieldwork in fellow UArctic member institutions.

Two new notable agreements have been signed with the Huntington Library, USA and the University of Maryland, USA with particular reference to access to the Folger Library and the National Archives in Washington DC. These agreements connect Durham's substantial collections on campus and at Ushaw College with important libraries in the USA, thus supporting the flow of academics to both sets of collections across the Atlantic.

Over the last year Durham has been pivotal in the establishment of a hub between the N8 Universities and the New Partnership for Africa's Development (NEPAD) an agency of the African Union. This will act as a single point of contact for NEPAD to access world-leading multi-disciplinary, multi-institutional research and expertise. For the N8 universities, led by Durham, the hub offers a means of testing ideas, delivering impact and finding partners and potential beneficiaries for collaborations. The hub will support economic and societal development in African Union countries through co-produced research activities and related projects.

Future plans

● ● Increase the proportion of non-UK students recruited to the University to a minimum of 35%, increasing the diversity of the student body and enriching the wider student experience.

Internationalise the curricula of Durham degrees with a view to increasing the employability of Durham students around the world. The University will identify and build mutually beneficial, productive relationships, developing partnerships with 5-10 key international peers in North America, Europe and East Asia.

Targeted strategies will be developed in 2018/19 for China, North America, Europe and the Global South to incorporate joint teaching programmes, research ventures and funding and alumni relations.

Study abroad options will be promoted for all students. The University 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.

The University aims to establish a presence in key global cities, starting with London with the potential to then look at New York and a global city in East Asia - to enable better engagement with partners, alumni, students, staff and potential funders around the world.

Key Performance Indicators	Current	Target
Proportion of international (non-UK) students	30% (2017/18)	35%
Percentage of eligible subject areas in QS World Top 50	9 of 26 relevant subjects, or 35%	50%
Contactable alumni	139,881	185,000

Related 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
Failure to maximise and manage University profile and brand internationally	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
Failure to maximise and manage University profile and brand internationally	Enhanced Arts & Humanities individual research budgets

Operational Review

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

● ● Work has begun on the first phase of an ambitious programme of estates developments. Ustinov College postgraduate community moved to a new home at Sheraton Park, Durham City, in September 2017 (see Case Study). A £470k conversion of the Durham University Business School (DUBS) at Mill Hill Lane was completed in November 2017. Bedrooms at the site were converted into office accommodation and additional teaching space to accommodate the relocation of DUBS programmes from Queen's Campus in Stockton to Durham City.

Work is also well underway on a number of the larger phase 1 developments including the £40m Durham University Teaching and Learning Centre and the Durham Centre for Academic Development. The Centre will open in September 2019, with a range of learning environments and technologies.

A £31m upgrade to the Maiden Castle Sports and Well-being Park will be completed for September 2019, supporting students to compete at the highest levels of UK university sport, increasing student participation in sport and allowing further community use of world-class facilities.

The development includes:

- a new indoor cricket hall;
- a 12 court multi-use sports hall, suitable for international and national competitions;
- a martial arts dojo;
- a fitness suite, purpose-built recovery facilities; and
- high performance weights rooms.

This will facilitate the transfer of elements of the Sport, Exercise and Physical Activity undergraduate degree programme to Maiden Castle and underpin the successful development of this programme.

CASE STUDY

Sheraton Park

● ● The University has established a new home for the Ustinov College community of postgraduate students at the purpose-built Sheraton Park development. Sheraton Park provides over 400 high-quality self-catered bedrooms and benefits from the full college experience, including dedicated pastoral support, scholarly and research activities and access to social and sporting facilities, in a supportive and motivating environment.



Future plans

● ● Two remaining significant phase 1 estate projects will begin at the start of the 2018/19 academic year. A £40m new home for the Mathematical Sciences and Computer Science departments will open in September 2020, allowing both departments to increase staff and student numbers. The facility will also host the first student enterprise and innovation hub.

A purpose-built new home for John Snow College and a new college will open at Mount Oswald in September 2020, with full college facilities and a total of 1,000 student beds.

The 2nd phase of estate development (c.2020-2023) will include new facilities for Arts and Humanities departments. The 3rd phase will ensure that laboratory-based science departments have facilities to match their international reputations.

Investment will also be undertaken in existing estate (both collegiate and academic) such that 85% of the University's buildings are of a very high standard (category A and B) by 2027.

Between four and six new colleges are planned throughout the lifetime of the Strategy.

To further improve information technology, a new Information Systems Strategy will be developed and implemented.

Key Performance Indicators	Current	Target
Proportion of estate buildings in Categories A and B ('high standard')	63% (2016/17)	85%

Related Risk	Key Controls
Failure to maintain and improve existing estate and deliver the University Estate Masterplan	Estates Programme Board with two sub-groups to oversee estates developments in particular phasing and planning
	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

Financial Review

The focus in managing the University's finances is to plan and deliver long term financial sustainability, specifically by generating cash from operations and maintaining a strong balance sheet. To support delivery of the University Strategy, cash must be generated or borrowed in order to make investments in the infrastructure and service debt through interest and loan repayments.

Negotiations had been completed by 31 July 2018 for the university to enter into a £225m private placement which was received on 28 August 2018. Cash balances have been built up for some time in readiness for the extensive development of the estate over the ten year life of the strategy.

Results for 2018

The consolidated results for the year are described below:

Operating Surplus

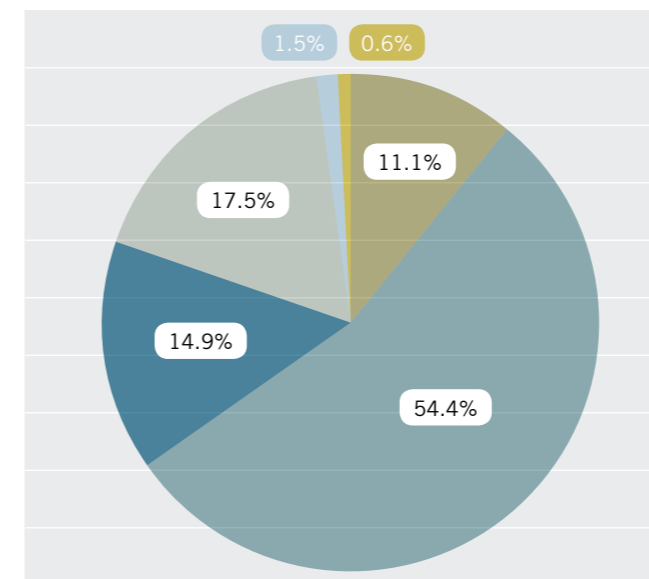
	2018 £m	2017 £m
Total Comprehensive Income	30.2	48.5
Non-operating items		
Voluntary Severance	0.8	5.5
Disposal of fixed assets	-	(3.3)
Major donations	-	(5.0)
Valuation of liabilities	(4.5)	(9.0)
Pension adjustments – staff cost and interest	4.9	(2.3)
Pension adjustments – actuarial gain	(7.7)	(8.1)
Net gain on valuation of assets	(0.2)	(3.9)
Operating surplus	23.5	22.4

The 2018 operating surplus is consistent with prior year performance and required to fund the capital investment programme. The operating surplus is the measure used to report financial results during the year and excludes items deemed to be 'non-operating' 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 favourable by £6.7m (2017: £26.1m.)

Operating Income and Expenditure

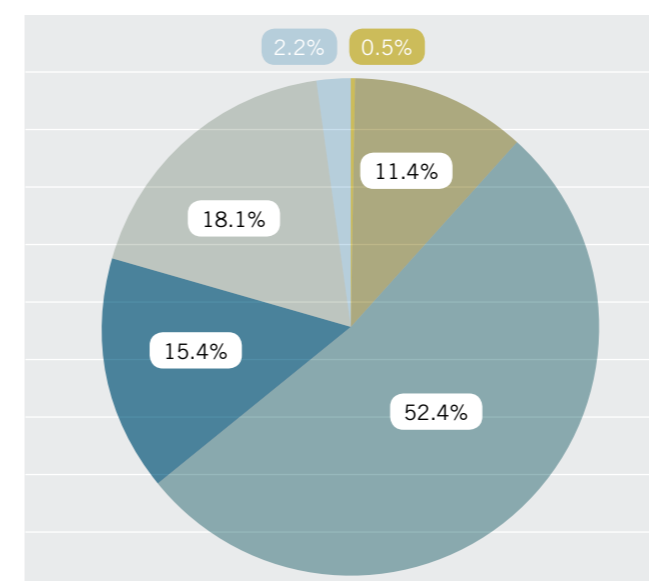
The elements of operating income and expenditure giving rise to the operating surplus reported above were as follows.

Income 2018



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

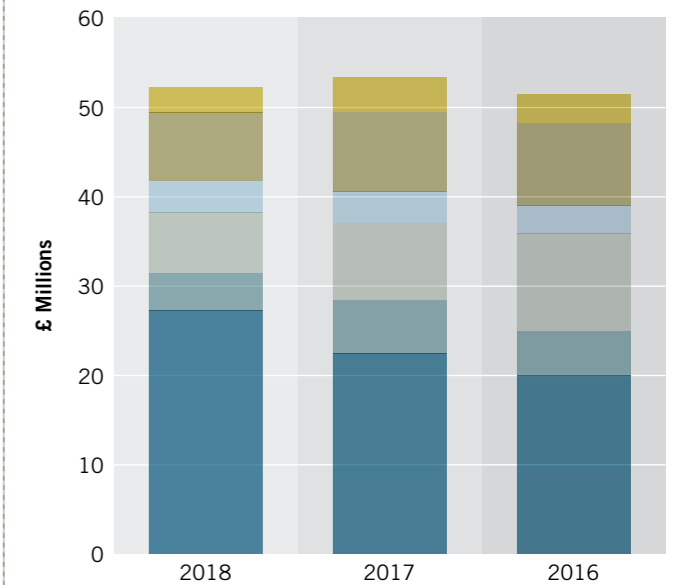
Income 2017



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

Total operating income, excluding major donations (2017 £5m) and valuation of liabilities (2018 £4m, 2017 £9m), increased by 2% to £354m. Tuition fee income increased by 6% to £193m representing over 52% of total income and when residence fees are included income from students represented 66% of total income. The main area of growth in tuition fee income came from full-time international students. Income from research grants decreased by £0.7m, reducing its share to 14.9% of total income.

Research Income Sources

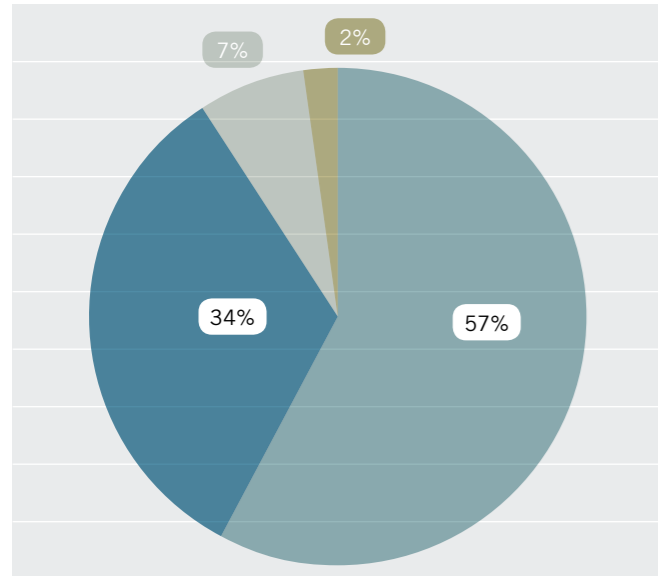


- Other
- EU government bodies
- UK industry
- UK government bodies
- UK-based charities
- UK Research Councils

Financial Review

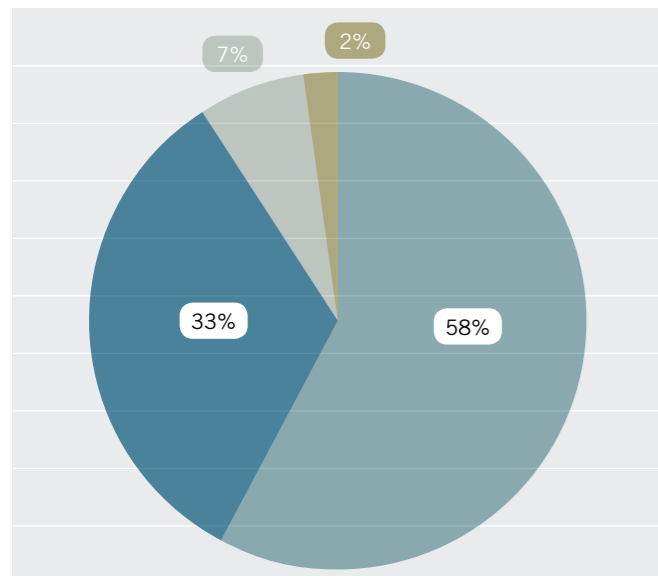
Total operating expenditure, excluding pensions adjustments, increased by 2% to £331m. Staff costs remained the same at £189m and other operating expenses increased by 6.5%. Depreciation charges increased by 2.1% and interest payable before accounting adjustments decreased by 2%.

Expenditure 2018



■ Staff costs
■ Other operating expenses
■ Depreciation
■ Interest and other costs

Expenditure 2017



■ Staff costs
■ Other operating expenses
■ Depreciation
■ Interest and other costs

Student numbers

Student numbers remained similar to the prior year as the Queen's Campus is re-purposed and before the increases in Durham planned under the Strategy start to take effect.

The following chart presents the development of student numbers over the last three years.

	Student Numbers		
	2018	2017	2016
Undergraduate			
Home/EU	11,650	11,662	11,300
Overseas	2,018	1,824	1,808
Total	13,668	13,486	13,108
Postgraduate			
Taught home	1,079	1,171	1,163
Taught overseas	1,437	1,451	1,333
Research home	985	1,006	1,049
Research overseas	538	574	569
Total	4,039	4,202	4,114
Distance Learning	306	239	278
Total	18,013	17,927	17,500

Balance Sheet

The value of fixed assets was increased with capital expenditure of £48m exceeding the charge for depreciation of £23m. The capital programme this year has seen the start of the implementation of the University Strategy. Included in the £48m spent on buildings and equipment were £8.1m for design and construction for an expanded Sports facility at Maiden Castle, £2.7m for a new gym and theatre facilities at Collingwood College, £3.7m refurbishment of student accommodation of the Jevons Block at Hatfield College, £11.7m for a new teaching facility adjacent to St Mary's College and £2.4m on improvements to the IT infrastructure across the estate. Capital investment is planned to be substantially greater again next year.

Investments rose in value through the appreciation of £1.8m in the value of endowment and general fund investments already held, but the value of investments in spin-offs decreased by £1.5m. Debtor balances increased by £2.7m comprising £1.5m research and other debtors and £1.2m prepayments which includes professional fees prepaid for the Mount Oswald development. Short term creditors increased by £6m. Long term creditors reduced through repayment of borrowing amounting to £3.3m and the £4.5m revaluation of the end of year liability for interest rate swaps.

Pension liabilities in respect of USS increased by £1.5m (see Note 22) while liabilities in respect of DUPs fell by £4.9m. The staff restructuring provision has been mainly utilised with a £0.8m increase for the staff at Queen's Campus. A new provision has been set up to spend the salary deductions taken from staff during the strike action in 2017/18 for the benefit of the students, including a proportion to the Student Hardship Fund.

Endowment reserves (see Note 23) increased by £2m, primarily through appreciation in the value of investments. The receipt of new grants and donations, offset by related expenditure, resulted in a net decrease in restricted reserves of £1.5m. General reserves increased by £30m, of which £12m represented the revaluation of assets and liabilities.

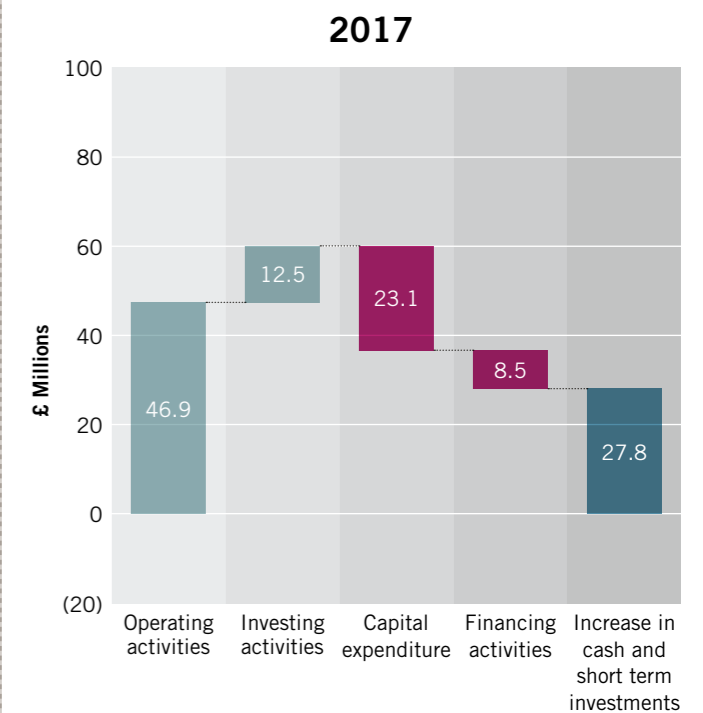
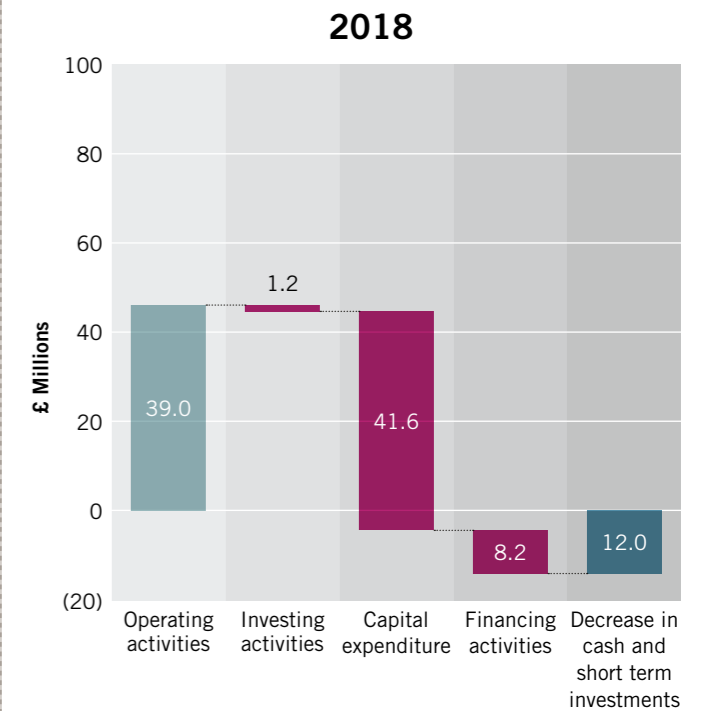
Cash generation, liquidity and financing

Short term cash deposits

Short term cash deposits increased in the year by £7m to £40m.

Cash balances

Cash balances decreased by £12m to £79m. The following waterfall charts compare the sources and applications of operating cash generated for 2018 and 2017.





Financial Review

Debt collection continues to be vigorously pursued and debts written off in the year were £44,000 (2017 £30,000). Payment of creditors continues to be made promptly with our default terms being to pay within 30 days of receiving a valid invoice.

The extensive capital programme has begun and total cash balances reduced by £5m in the year to £119m. £79m is held in cash with a further £40m in current asset investments. (2017: £91m was in cash and £33m in investments). During the year an average of £124m has been invested over periods ranging from instant access to 365 days at an average return of 0.53%.

There is a longer term investment fund, principally for endowments, which operates with agreed asset allocations and returned 7.29% during the year (total of income and capital appreciation) which was in line with its benchmark.

All the capital expenditure during the year has been funded either by grants, internally generated funds or benefactions. No new borrowings have been drawn during the year. The Revolving Credit Facility was £15m and has been increased to £25m to support in-year working capital requirements, if it should prove necessary. The capital programme commenced in the last financial year and negotiations had been completed by 31 July 2018 for the university to enter into a £225m private placement which was received on 28 August 2018, see Note 29 Post Balance Sheet Events.

Monitoring financial performance

The key performance indicators by which financial performance is measured focus on the generation of cash from operating activities as well as compliance with borrowing covenants and staff costs as a percentage of income; all these measures 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 Universities Superannuation Scheme may create additional staff cost and this is being kept under review. The immediate future is secure as the International Study Centre has exceeded its first year target numbers substantially and recruitment to the University itself for the 2018/19 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 a relatively small proportion of its funding directly from public sources with the majority of income from student fees and competitively won grants. 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, has had due regard to 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 Governance Code of Practice issued by the Committee of University Chairs (CUC) and is attentive to the Financial Reporting Council (FRC) UK Corporate Governance Code.

Leadership

The principal academic and administrative officer of the University is the Vice-Chancellor, who has general responsibility to Council and Senate for maintaining and promoting the efficiency and good order of the University and is the 'accountable officer' to the regulatory body.

The Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and the shaping of the institutional ethos. The members of the University Executive Committee and senior managers all contribute to aspects of the Vice-Chancellor's work, but the ultimate responsibility for what is done rests with Council.

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, as Chair of Senate.

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

Council is the governing body of the University. It has custody, control and disposition of all the University's property and finances and is responsible for setting the strategic direction of the institution. Council has ultimate responsibility for all the affairs of the University. It is responsible for taking such steps as it thinks proper for the purpose of advancing the interests of the University, maintaining its efficiency and encouraging the prosecution of learning and research in the University.

All Council members are the charity trustees of the University. The majority (twelve) are lay members, drawn from outside the University including the Chair. There are seven appointed members of University staff and five ex-officio members. In addition to members and the University Secretary a number of senior officers regularly attend Council meetings. An additional student representative is currently an attendee.

None of the lay members 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.

Robert Gillespie was the Chair of Council during the academic year 2017/18. Robert is a non-executive director of the Royal Bank of Scotland Group plc and a non-executive member of the Partnership Board of Ashurst LLP. He is also Chairman of the Boat Race Company Limited, the organisation that manages the Oxford and Cambridge Boat Race and is a non-executive Director to the Social Finance Board. Following the end of his final term of appointment on 30 September 2018, Robert was succeeded as Chair of Council by Joe Docherty. 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.

The appointment process for new 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. 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.

A skills register of all Council members is maintained by the University Secretary. A new member induction programme is provided and members receive ongoing development training through presentations to Council on topical issues and from external providers, such as the Leadership Foundation for Higher Education (now part of Advance HE).

During 2017/18 Council met on seven occasions. The minutes of meetings are published on the University website. Council also agreed to publish online from 2018/19 minutes or reports of all the governance committees.

Governance

Council's business schedule reflected the University's priorities in the second year of delivery of its ambitious strategy. Council approved: a revised Financial Plan from 1 August 2017 to 31 July 2027; additional borrowing through a Private Placement; refresh of the Capital Programme including work to refurbish the residential estate including increased college provision through an off-balance sheet venture; and phase one of a philanthropic Fundraising Campaign.

Council also: agreed the recommendations of a University Commission to divest its financial investments in companies involved in fossil fuel extraction; approved the conclusion of the Governance Review and received an update on the implementation of the recommendations of the Council Effectiveness Review; discussed the University's current and future plans for Equality, Diversity and Inclusion; and monitored the trend in sexual violence cases.

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

The membership of Council during 2017/18 is provided in the table.

The following were invited to meetings as attendees during 2017/18:

Mr Nigel Perry
Ms Sabrina Seel, Postgraduate Academic Officer, Durham Students' Union

The following were appointed members from 1 August 2018:

Ex-officio: President of Durham Students' Union - George Walker;
Lay member: Mr Nigel Perry

Joe Docherty was appointed as Chair from 1 October 2018 succeeding Robert Gillespie who had come to the end of his term of office as Chair of Council.

Membership 2017/18		Meetings attended
Ex-officio members		
The Chancellor	Sir Thomas Allen	n/a
Vice-Chancellor	Professor Stuart Corbridge	7/7
Deputy Vice-Chancellor	Professor Antony Long	6/7
Dean of Durham	The Very Reverend Andrew Tremlett	6/7
President of Durham Students' Union	Miss Megan Croll (to 31 July 2018)	7/7
Lay members		
	Mrs Joanna Barker	7/7
	Mr Richard Burge (to 31 July 2018)	5/7
	Ms Alexis Cleveland (Vice-Chair)	7/7
	Ms Fiona Ellis (to 31 July 2018)	7/7
	Mr Robert Gillespie (Chair)	7/7
	Mr James Grierson	7/7
	Mr Steven Harman	4/7
	Mrs Alison Hastings	6/7
	Mrs Susan Johnson	6/7
	Mrs Jill May	6/7
	Mr Andrew Mitchell (Vice-Chair, to 31 July 2018)	7/7
	Dr Kate Pretty	7/7
Appointed members of University staff		
	Professor Catherine Alexander	7/7
	Professor Mike Bentley	6/7
	Dr Camila Caiado	7/7
	Mrs Caroline Dower (from November 2017)	6/6
	Professor Joe Elliott	7/7
	Professor Clare McGlynn (to 31 July 2018)	4/7
	Professor Colin Macpherson	5/7

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.

Senate is the supreme governing body in all academic matters, subject to the powers of Council, and has overall responsibility for academic quality and standards on which it provides assurance to Council. It is responsible for promoting, directing and regulating teaching and research and 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.

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 (value for money); and the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE, the OfS, Research England and other bodies. 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.

New external auditors (PwC) were appointed by Council, on the recommendation of the Committee following a tender exercise, to commence in January 2018 for three years in the first instance.

The Committee considered elements of the annual financial statements including the auditor's 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 2018.

Membership 2017/18		Meetings attended
Lay members	Ms Alexis Cleveland (Chair)	6/6
	Mrs Alison Hastings	5/6
	Mrs Susan Johnson	5/6
	Mrs Jill May	5/6
Co-opted members		
	Mr Martin Cocker (from October 2017)	4/5
	Mr Grant Evans	6/6

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 approves 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

Membership 2017/18		Meetings attended
Ex-officio members		
Chair of Council	Mr Robert Gillespie	14/16
Vice-Chancellor	Professor Stuart Corbridge	13/16
Deputy Vice-Chancellor	Professor Antony Long	14/16
President of Durham Students' Union	Miss Megan Croll	7/16
Members of Council		
	Mrs Joanna Barker (Chair)	16/16
	Professor Mike Bentley	11/16
	Professor Colin Macpherson (from November 2017)	9/12
	Mr Andrew Mitchell*	10/16
	Dr Kate Pretty	14/16
Co-opted members		
	Mr James Grierson (from January 2018)	4/5

*specifically appointed as an additional lay member of Council.

Governance

Governance and Nominations Committee is responsible for keeping under review and advising Council on the University's governance arrangements, ensuring the University pursues good practice and complies with external governance requirements; advising Council on all matters relating to the process for the appointment of new members and their induction, mentoring, development and appraisal; and recommending the appointment of new members and supporting succession planning for Council and its committees, ensuring there is an appropriate mix of skills, knowledge and experience in line with the University's Equality, Diversity and Inclusion Policy.

During 2017/18 the University contracted Warren Partners to support the search for a new Chair of Council and GatenbySanderson Ltd assisted with the recruitment of new lay members. Both companies are independent of the institution and its governors.

Membership 2017/18		Meetings attended
Ex-officio members		
Chair of Council	Mr Robert Gillespie (Chair)	3/3
Vice-Chair of Council	Ms Alexis Cleveland	3/3
	Mr Andrew Mitchell	3/3
Vice-Chancellor	Professor Stuart Corbridge	3/3
President of Durham Students' Union	Miss Megan Croll	1/3
Lay Members of Council		
	Mr Richard Burge	1/3
	Mrs Susan Johnson	2/3
Senior member of staff	Professor Robert Holdsworth	2/3

Remuneration Committee determines the annual remuneration of senior staff (Executive Committee members, University Secretary, Vice-Chancellor, professors and equivalent level senior posts within the Grade 10 pay range) 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 market data (UCEA Senior Staff Recruitment Survey 2017) as well as the public interest, the safeguarding of public funds, the University's interests and the need to remain competitive. It also approves, cognisant of the use of public funds, 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 to the region, nation 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 2017/18 the Committee commenced work to achieve full compliance with the CUC Higher Education Senior Staff Remuneration Code including revising its membership and will continue this work during 2018/19. This will involve the development of a University pay policy and provide clarity on role expectations and assessment of Executive performance. The paragraph above sets out the University's current remuneration arrangements in line with the Code.

The Committee also sought expert legal advice from Eversheds and external professional advice on the assessment of executive performance.

Membership 2017/18		Meetings attended
Ex-officio members		
Chair of Council	Mr Robert Gillespie	4/5
Vice-Chancellor	Professor Stuart Corbridge (until December 2017)	1/2
Member of Audit Committee	Ms Alexis Cleveland	4/5
Lay Members of Council	Mr Richard Burge	3/5
	Dr Kate Pretty (Chair)	5/5
Co-opted member	Mr Nigel Perry	5/5

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

Membership 2017/18		Meetings attended
Ex-officio members		
Vice-Chancellor	Professor Stuart Corbridge	3/3
President of Durham Students' Union	Miss Megan Croll	3/3
Members of Council	Dr Kate Pretty (Chair)	3/3
	Ms Alexis Cleveland	3/3
	Ms Fiona Ellis	2/3
	Mr James Grierson	3/3
	Professor Catherine Alexander (from December 2017)	2/2

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. The other members are the Deputy Vice-Chancellor, the seven Pro Vice-Chancellors, the Chief Operating Officer and the Chief Financial Officer. The University Secretary is in attendance at all meetings. The purpose of the Committee is to manage the University's Strategy and monitor the achievement of its objectives. It owns and manages key risks, co-ordinates planning and recommends the annual budget and financial forecasts to the Finance Committee and Council. It makes recommendations to Senate and Council on important policy initiatives.



Governance

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.

Governance

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 HEFCE/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 HEFCE/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 HEFCE/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.

Fundraising

Durham University actively seeks 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 its charitable mission.

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

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

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 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, detailing financial controls and procedures approved by Council and Finance Committee;
- 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;
- An ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, and to manage them efficiently, effectively and economically. 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 to Council on matters concerning risk management and internal control.

The process has been in place throughout the year ended 31 July 2018, 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 Office for Students.

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 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. Audit work during 2017/18 identified areas of concern in IT, Health and Safety and Business Transformation. Detailed senior management strategies have been developed to address these matters.

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 2018.



Signed on behalf of Durham University

Mr Joe Docherty
Chair of Council

Independent auditors' report to the Council of Durham University (the "institution")

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 2018 and of the group's and of the parent institution's income and expenditure, gains and losses, and changes in reserves, and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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' ("OfS's") 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 2018 (the "Annual Report"), which comprise the Consolidated and University Balance Sheets as at 31 July 2018; the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated Statement of Changes in Reserves, the University Statement of Changes in Reserves, the Consolidated Cash Flow Statement for the year then ended; the Statement of Principal 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

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

- Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group 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.

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.

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. 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 Council for the financial statements

As explained more fully in the Statement of Responsibilities of Council in the preparation of the Financial Statements set out on page 36, 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. 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, 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 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 Council as a body in accordance with the Charters and Statutes of the institution 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 OfS and Research England Audit Code of Practice issued under the Further and Higher Education Act 1992 (as amended)

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 Higher Education Funding Council for England, 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

Date: 23/11/18

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 2018 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 from that asset the cost of such enhancement being added to the gross cost of the relevant asset.

Statement of Principal Accounting Policies

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 2014. 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 contains 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 2018

	Note	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Income					
Tuition fees and education contracts	1	192,566	192,566	181,719	181,719
Funding body grants	2	39,414	39,414	39,403	39,403
Research grants and contracts	3	52,705	52,705	53,362	53,362
Other income	4	61,807	61,652	62,949	62,791
Investment income	5	6,449	6,449	10,948	10,948
Donations and endowments	6	5,465	5,465	12,773	12,773
Total income		358,406	358,251	361,154	360,996
Expenditure					
Staff costs	7	191,700	191,700	185,255	185,255
Provision for staff restructuring	22	-	-	5,564	5,564
Other operating expenses	9	114,328	114,171	107,326	107,168
Depreciation	12	22,901	22,879	22,427	22,406
Interest and other finance costs	10	7,222	7,204	7,352	7,333
Total expenditure		336,151	335,954	327,924	327,726
Surplus before other gains and share of operating surplus of joint venture		22,255	22,297	33,230	33,270
Gain on disposal of fixed assets		-	-	3,328	3,328
Net gain on investments		228	228	3,883	3,883
Share of operating surplus in joint venture		-	-	-	-
Surplus before tax		22,483	22,525	40,441	40,481
Taxation	11	-	-	-	-
Surplus for the year		22,483	22,525	40,441	40,481
Actuarial gain in respect of pension schemes	28	7,680	7,680	8,075	8,075
Total comprehensive income for the year		30,163	30,205	48,516	48,556
Represented by:					
Endowment income	23	2,027	2,027	4,350	4,350
Restricted expenses/income	25	(1,513)	(1,513)	5,631	5,631
Unrestricted income		29,649	29,691	38,535	38,575
		30,163	30,205	48,516	48,556

Financial statements

Consolidated Statement of Changes in Reserves for the year ended 31 July 2018

	Income and expenditure account			Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
Balance at 1 August 2016	67,632	6,215	277,533	351,380
Surplus from income and expenditure statement	4,350	6,761	29,330	40,441
Other comprehensive income	-	-	8,075	8,075
Release of restricted funds spent in year	-	(1,130)	1,130	-
Total comprehensive income for the year	4,350	5,631	38,535	48,516
Balance at 31 July/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 for the year	2,027	(1,513)	29,649	30,163
Balance at 31 July 2018	74,009	10,333	345,717	430,059

University Statement of Changes in Reserves for the year ended 31 July 2018

	Income and expenditure account			Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
Balance at 1 August 2016	67,632	6,215	279,075	352,922
Surplus from income and expenditure statement	4,350	6,761	29,370	40,481
Other comprehensive income	-	-	8,075	8,075
Release of restricted funds spent in year	-	(1,130)	1,130	-
Total comprehensive income for the year	4,350	5,631	38,575	48,556
Balance at 31 July/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 for the year	2,027	(1,513)	29,691	30,205
Balance at 31 July 2018	74,009	10,333	347,341	431,683

Financial statements

Consolidated and University Balance Sheets as at 31 July 2018

	Note	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Non-current assets					
Fixed assets	12	490,505	491,136	467,406	468,016
Heritage assets	12	37,099	37,099	37,034	37,034
Investments	13	64,142	64,143	62,420	62,421
Investment in joint venture	14	-	-	-	-
		<u>591,746</u>	<u>592,378</u>	<u>566,860</u>	<u>567,471</u>
Current assets					
Stock	16	365	345	459	439
Trade and other receivables	17	21,517	21,514	18,771	18,771
Investments	18	42,326	42,326	37,332	37,332
Cash and cash equivalents	19	78,559	78,554	90,554	90,550
		142,767	142,739	147,116	147,092
Creditors: amounts falling due within one year	20	(78,881)	(78,731)	(72,727)	(72,585)
Net current assets		<u>63,886</u>	<u>64,008</u>	<u>74,389</u>	<u>74,507</u>
Total assets less current liabilities		655,632	656,386	641,249	641,978
Creditors : amounts falling due after more than one year	21	(142,577)	(142,577)	(150,331)	(150,331)
Provisions					
Pension provisions	22	(81,165)	(81,165)	(84,605)	(84,605)
Other provisions	22	(1,831)	(961)	(6,417)	(5,564)
Total net assets		<u>430,059</u>	<u>431,683</u>	<u>399,896</u>	<u>401,478</u>

	Note	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Restricted Reserves					
Endowment reserves	23	74,009	74,009	71,982	71,982
Restricted reserves	25	10,333	10,333	11,846	11,846
Unrestricted Reserves					
Income and expenditure reserve		345,717	347,341	316,068	317,650
		<u>430,059</u>	<u>431,683</u>	<u>399,896</u>	<u>401,478</u>

The Financial Statements were approved by the Council on 30 October 2018 and signed on its behalf by:



J Docherty
Chair of Council



S Corbridge
Vice-Chancellor



D McConnell
Chief Financial Officer

Financial statements

Consolidated Cash Flow Statement for the year ended 31 July 2018

	Note	2018 £'000	2017 £'000	Note	2018 £'000	2017 £'000
Cash flow from operating activities						
Surplus for the year		22,483	40,441			
Adjustment for non-cash items						
Depreciation	12	22,901	22,427			
Gain on investments		(313)	(3,883)			
Decrease in stock	16	94	43			
(Increase) / decrease in debtors	17	(2,936)	1,302			
Decrease in creditors	20 21	(4,123)	(9,091)			
Transfer between fixed and current asset investments		(299)	-			
Increase / (decrease) in pension provision	22	4,240	(2,233)			
(Decrease) / increase in other provisions	22	(4,586)	5,584			
Share of operating surplus/(deficit) in joint venture	14	-	-			
Adjustment for investing or financing activities						
Investment income	5	(1,952)	(1,892)			
Interest payable	10	5,219	5,328			
Endowment donations	6	(258)	(147)			
Loss / (profit) on sale of fixed assets		12	(3,326)			
Loss on the sale of current asset investments		85	-			
Capital grant income		(1,499)	(7,665)			
Net cash flow from operating activities		39,068	46,888			
Cash flows used in investing activities						
Proceeds from sale of fixed assets		1,492	6,261			
Proceeds from sale of current asset investments		811	-			
Capital grant receipts		1,499	7,665			
Investment income		1,952	1,892			
Payments made to acquire fixed assets		(41,566)	(23,085)			
New non-current asset investments		-	(950)			
New deposits		(7,000)	(2,372)			
		(42,812)	(10,589)			
Cash flows used in financing activities						
Interest paid		(5,253)	(5,374)			
Endowment cash received		258	147			
Repayment of amounts borrowed		(3,256)	(3,260)			
		(8,251)	(8,487)			
(Decrease) / increase in cash and cash equivalents in the year	19	(11,995)	27,812			
Cash and cash equivalents at beginning of the year	19	90,554	62,742			
Cash and cash equivalents at end of the year	19	78,559	90,554			
		(11,995)	27,812			



Financial statements

Notes to the Financial Statements

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
1. Tuition fees and education contracts				
Full-time home and EU students	106,503	106,503	105,210	105,210
Full-time international students	70,239	70,239	63,265	63,265
Part-time students	3,063	3,063	3,446	3,446
Short courses	3,495	3,495	2,525	2,525
Research training support grants	6,461	6,461	5,843	5,843
Other fees	2,805	2,805	1,430	1,430
	192,566	192,566	181,719	181,719
2. Funding body grants				
Recurrent grant				
Office for Students (formerly HEFCE)	36,928	36,928	35,269	35,269
Specific grants				
Office for Students (formerly HEFCE)	80	80	82	82
Capital grants				
Office for Students (formerly HEFCE)	2,406	2,406	4,052	4,052
	39,414	39,414	39,403	39,403
The recurrent grant includes both QR (Quality Related) and STEM (Science, Technology, Engineering and Mathematics) funding.				
3. Research grants and contracts				
Research councils	26,956	26,956	22,816	22,816
UK charities	4,864	4,864	5,543	5,543
Central /Local Government	6,335	6,335	8,939	8,939
UK industries	3,408	3,408	3,406	3,406
EU Government	7,802	7,802	9,228	9,228
Other overseas	3,213	3,213	3,185	3,185
Other sources	127	127	245	245
	52,705	52,705	53,362	53,362

Financial statements

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
4. Other income				
Residences, catering and conferences	42,534	42,534	43,461	43,461
Other services rendered	8,481	8,481	7,154	7,154
Other income	10,792	10,637	12,334	12,176
	61,807	61,652	62,949	62,791
5. Investment income				
Investment income on endowments	1,238	1,238	1,201	1,201
Investment income on restricted reserves	74	74	100	100
Other investment income	640	640	591	591
Decrease in fair value of derivatives	4,497	4,497	9,056	9,056
	6,449	6,449	10,948	10,948
6. Donations and endowments				
Capital grants and donations	1,499	1,499	8,131	8,131
New endowments	258	258	147	147
Donations with restrictions	1,560	1,560	1,705	1,705
Unrestricted donations	2,148	2,148	2,790	2,790
	5,465	5,465	12,773	12,773

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
7. Staff costs				
Salaries	150,936	150,936	150,796	150,796
Social security costs	14,422	14,422	14,134	14,134
Movement on USS provision	823	823	(6,390)	(6,390)
Other pension costs				
USS (See note 28(a))	19,890	19,890	20,126	20,126
DUPS (See note 28(b))	5,506	5,506	6,485	6,485
NOW (See note 28(c))	123	123	94	94
NHS (See note 28(d))	-	-	10	10
	191,700	191,700	185,255	185,255

Analysis of staff costs by activity

Academic and related expenditure	113,965	113,965	111,521	111,521
Administration and central services	17,848	17,848	16,706	16,706
Premises	5,818	5,818	5,662	5,662
Residences, catering and conferences	13,474	13,474	13,629	13,629
Research grants and contracts	20,772	20,772	21,378	21,378
Student and staff facilities and amenities	10,606	10,606	9,746	9,746
General educational expenditure	4,564	4,564	4,172	4,172
Miscellaneous expenditure	4,653	4,653	2,441	2,441
	191,700	191,700	185,255	185,255

Emoluments of the Vice-Chancellor

Salary	296	286
Pension contribution to USS	5	16
	301	302

Financial statements

7. Staff costs *continued*

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 an Additional Remuneration Allowance included in the salary figure above, 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 £18,000. Utility costs, excluding water, are paid for by the University and are not separately identifiable as there is no independent meter for the property.

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 allowance in substitution for employer 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.

2017-18	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 HEI and the pay multiple of the Head of Institution and it is typical for larger HEI's 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 the 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 £355m 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 £1.2bn GVA, two thirds of which accrues to the North East of England.

Durham is a top 5 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 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

	2018	2017
	No.	No.
£100,000 – £104,999	15	8
£105,000 – £109,999	5	7
£110,000 – £114,999	5	4
£115,000 – £119,999	6	7
£120,000 – £124,999	3	3
£125,000 – £129,999	3	5
£130,000 – £134,999	4	1
£135,000 – £139,999	3	3
£140,000 – £144,999	1	1
£145,000 – £149,999	-	-
£150,000 – £154,999	-	1
£155,000 – £159,999	3	2
£160,000 – £164,999	-	1
£165,000 – £169,999	2	-
£170,000 – £174,999	-	1
£175,000 – £179,999	-	-
£180,000 – £184,999	-	1
£185,000 – £189,999	-	-
£190,000 – £194,999	-	1
£195,000 – £199,999	1	-
£200,000 – £204,999	2	-
	<u>53</u>	<u>46</u>

Financial statements

7. Staff costs *continued*

Key management personnel

	2018	2017
	£'000	£'000
Key management personnel remuneration including compensation	<u>2,029</u>	<u>1,977</u>

	2018	2017
	No.	No.
Number of staff	<u>11</u>	<u>11</u>

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 (Arts and Humanities), Pro Vice Chancellor (Science), Pro Vice Chancellor (Social Science and Health), Pro Vice Chancellor (Colleges and Student Experience), Chief Operating Officer, Chief Financial Officer and University Secretary.

Staff numbers

Full time equivalent staff numbers by type

	2018	2017
	No.	No.
Academic	1,617	1,603
Professional and technical	1,023	1,063
Administrative and clerical	626	670
Facilities and other support	603	619
	<u>3,869</u>	<u>3,955</u>

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 (2017 - nil).

The total expenses paid to or on behalf of 15 of the Council members was £18,757 (2017: £19,884 to 14 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 2017 to March 2018

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

Percentage of time spent on facility time	
Percentage of time	Number of Employees
0%	15
1-50%	4
51-99%	-
100%	-

Percentage of pay bill spent on facility time	
Total cost of facility time	£36,189
Total Pay Bill	£188,133,485
Percentage of pay bill spent on facility time	0.02%

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

Compensation for loss of office

	2018	2017
	£'000	£'000
Compensation for loss of office including redundancy payments and end of a fixed term contract.	<u>6,887</u>	<u>427</u>
	2018	2017
	No.	No.
Number of staff	<u>381</u>	<u>18</u>

The value of payments increased significantly during the year ended 31 July 2018 as the voluntary severance scheme took effect, see Note 22.

Financial statements

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 Member	Receipts £'000	Debtors £'000	Payments £'000	Creditors £'000
Applied Graphene Materials plc	Mr Andrew Mitchell	63	10	-	-
Association of Commonwealth Universities	Mr Richard Burge	-	-	6	-
British Computer Society Ltd	Mr Nigel Perry	78	78	-	-
Centre for Process Innovation Ltd	Mr Nigel Perry	190	-	-	-
College Junior Common Room Societies		96	-	118	-
Commonwealth Scholarships	Mr Richard Burge	250	-	-	-
Commonwealth Secretariat	Mr Richard Burge	6	-	-	-
Durham Cathedral	The Very Reverend Andrew Tremlett	79	43	120	6
Durham Students' Union	Miss Megan Croll	8	1	912	-
Marylebone Cricket Club	Mr James Grierson	13	-	19	-
N8 Ltd	Professor Stuart Corbridge	-	-	60	-
NERC	Professor Mike Bentley, Professor Colin Macpherson	393	-	-	-
Northumberland Tyne & Wear NHS Trust	Ms Alexis Cleveland	-	-	70	-
RICS	Mr James Grierson	-	-	7	4
Russell Group	Professor Stuart Corbridge	-	-	75	-
St Chad's College	The Very Reverend Andrew Tremlett	39	-	562	3
Universities UK	Professor Stuart Corbridge	-	-	44	-
University of Cambridge	Dr Kate Pretty	18	-	-	-

The University makes payments on behalf of and is re-imbursed 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 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Academic and related expenditure	29,825	29,825	27,352	27,352
Administration and central services	6,600	6,583	4,220	4,062
Premises	17,393	17,393	16,224	16,224
Residences, catering and conferences	13,298	13,298	10,703	10,703
Research grants and contracts	12,684	12,684	13,685	13,685
Student and staff facilities and amenities	8,392	8,392	8,573	8,573
General educational expenditure	22,766	22,766	23,710	23,710
Miscellaneous expenditure	3,370	3,230	2,859	2,859
	114,328	114,171	107,326	107,168
Other operating expenses include:				
External auditors' remuneration in respect of audit services	82	77	85	79
External auditors remuneration in respect of non-audit services	-	-	584	584
Operating lease rentals:				
Land and buildings	2,117	2,117	967	967
Other	477	477	381	381

Financial statements

10. Interest and other finance costs

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Loan interest	5,219	5,201	5,328	5,309
Increase in fair value of derivatives	-	-	-	-
Net charge on USS pension scheme	673	673	719	719
Net charge on DUPS pension scheme	1,330	1,330	1,305	1,305
	<u>7,222</u>	<u>7,204</u>	<u>7,352</u>	<u>7,333</u>

11. Taxation

	Consolidated	University	Consolidated	University
Current tax				
Current tax expense	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Total tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12. Tangible assets

	Freehold Land and Buildings £'000	Equipment £'000	Assets in the Course of Construction £'000	Heritage Assets £'000	Total £'000
Cost					
At 1 August 2017	540,256	146,833	7,122	37,034	731,245
Additions	800	-	46,769	-	47,569
Capitalisation	9,939	9,344	(19,348)	65	-
Disposals	(13)	(11,516)	-	-	(11,529)
At 31 July 2018	<u>550,982</u>	<u>144,661</u>	<u>34,543</u>	<u>37,099</u>	<u>767,285</u>
Accumulated Depreciation					
At 1 August 2017	119,980	106,825	-	-	226,805
Charge for year	10,979	11,922	-	-	22,901
Disposals	(8)	(10,017)	-	-	(10,025)
At 31 July 2018	<u>130,951</u>	<u>108,730</u>	<u>-</u>	<u>-</u>	<u>239,681</u>
Net Book Value					
At 31 July 2018	<u>420,031</u>	<u>35,931</u>	<u>34,543</u>	<u>37,099</u>	<u>527,604</u>
At 31 July 2017	<u>420,276</u>	<u>40,008</u>	<u>7,122</u>	<u>37,034</u>	<u>504,440</u>

VAT of £3.6m was reclaimed on the original land purchase of the Mount Oswald site, see Note 29 Post Balance Sheet Events. An option to tax has been made over the land and a letter sent to HM Revenue & Customs requesting that the option not be disapplied. An accrual to repay part of the VAT, some £0.8m, has been included in these financial statements as an addition to freehold land and buildings.

Financial statements

12. Tangible assets *continued*

	University				
	Freehold Land and Buildings	Equipment	Assets in the Course of Construction	Heritage Assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2017	538,799	146,963	7,122	37,034	729,918
Additions	800	-	46,768	-	47,568
Capitalisation	9,939	9,343	(19,347)	65	-
Disposals	(13)	(11,516)	-	-	(11,529)
At 31 July 2018	549,525	144,790	34,543	37,099	765,957
Accumulated Depreciation					
At 1 August 2017	118,042	106,826	-	-	224,868
Charge for year	10,957	11,922	-	-	22,879
Disposals	(8)	(10,017)	-	-	(10,025)
At 31 July 2018	128,991	108,731	-	-	237,722
Net Book Value					
At 31 July 2018	420,534	36,059	34,543	37,099	528,235
At 31 July 2017	420,757	40,137	7,122	37,034	505,050

VAT of £3.6m was reclaimed on the original land purchase of the Mount Oswald site, see Note 29 Post Balance Sheet Events. An option to tax has been made over the land and a letter sent to HM Revenue & Customs requesting that the option not be disapplied. An accrual to repay part of the VAT, some £0.8m, has been included in these financial statements as an addition to freehold land and buildings.

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: www.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 a sculpture of St Cuthbert, an embroidered new testament and psalms, the Eden family papers 1672–1874 and a book Cicero Marcus Tullius Ad Q Fraterm Dialogue Tres de Oratore 1588.

Heritage asset acquisitions	2018 £'000	2017 £'000	2016 £'000	2015 £'000	Earlier £'000
Acquisitions purchased with specific donations	65	10	30	-	205
Acquisitions purchased with University funds	-	18	53	10	1,901
Total cost of acquisitions purchased	65	28	83	10	2,106
Value of acquisitions by donation	-	-	-	-	-
Total acquisitions capitalised	65	28	83	10	2,106

Financial statements

13. Non-current investments

	Subsidiary companies	Subsidiary investment in spinouts	Other fixed asset investments	Total
	£'000	£'000	£'000	£'000
Consolidated				
At 1 August 2017	-	140	62,280	62,420
Additions	-	-	-	-
Increase in market value	-	-	1,722	1,722
At 31 July 2018	-	140	64,002	64,142
University				
At 1 August 2017	1	140	62,280	62,421
Additions	-	-	-	-
Increase in market value	-	-	1,722	1,722
At 31 July 2018	1	140	64,002	64,143
Other non-current investments consist of:	Consolidated 2018	University 2018	Consolidated 2017	University 2017
	£'000	£'000	£'000	£'000
Pooled fund investments	45,980	45,980	44,258	44,258
Properties	18,022	18,022	18,022	18,022
Other	140	141	141	141
	64,142	64,143	62,421	62,421

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.

	2018 £'000	2017 £'000
Income and expenditure account		
Income	38	49
Surplus before tax	-	-
Balance Sheet		
Current assets	39	13
Creditors due after more than one year	(39)	(13)
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 2018 amounted to £16.1m (2017 £16m).

Financial statements

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
Geospatial Research Ltd ***	24.0% Ordinary shares
Olexys Ltd ***	22.0% Ordinary shares
Concept analyst Ltd ***	20.0% Ordinary shares
Virtual Centre.Com Ltd	15.0% Ordinary shares
PB Spectroscopy	15.0% Ordinary shares
Durham Magneto Optics Ltd	13.42% 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	1.15% Ordinary shares
P2I Ltd	0.12% Ordinary shares

*** Not consolidated because at 31 July 2018 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 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Goods for resale	345	345	439	439
Durham University Developments Ltd – development land for resale (see Note 22)	20	-	20	-
	365	345	459	439

17. Trade and other receivables

Amounts falling due within one year:

Research grant receivables	10,155	10,155	8,518	8,518
Other trade receivables	9,482	9,479	9,579	9,579
Prepayments and accrued income	1,880	1,880	674	674
	21,517	21,514	18,771	18,771

18. Current investments

Short term investment in shares	2,326	2,326	4,332	4,332
Short term deposits	40,000	40,000	33,000	33,000
	42,326	42,326	37,332	37,332

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 2018. 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 0.8% per annum and the remaining weighted average period for which the interest rate was fixed on these balances was 97 days.

Financial statements

19. Cash and cash equivalents

	At 1 August 2017 £'000	Cash Flows £'000	At 31 July 2018 £'000
Cash and Cash equivalents	<u>90,554</u>	<u>(11,995)</u>	<u>78,559</u>

20. Creditors: amounts falling due within one year

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Unsecured loans	3,457	3,457	3,457	3,457
Trade payables	22,043	21,893	17,254	17,112
Research grants received on account	24,978	24,978	22,751	22,751
Social security and other taxation payable	4,202	4,202	4,360	4,360
Accruals and deferred Income	<u>24,201</u>	<u>24,201</u>	<u>24,905</u>	<u>24,905</u>
	<u>78,881</u>	<u>78,731</u>	<u>72,727</u>	<u>72,585</u>

Deferred income

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

Donations	<u>1,360</u>	<u>1,360</u>	<u>1,211</u>	<u>1,211</u>
-----------	--------------	--------------	--------------	--------------

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

Derivatives	25,467	25,467	29,965	29,965
Unsecured loans	117,110	117,110	120,366	120,366
	<u>142,577</u>	<u>142,577</u>	<u>150,331</u>	<u>150,331</u>

Analysis of unsecured loans

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Due within one year or on demand	3,457	3,457	3,457	3,457
Due between one and two years	3,457	3,457	3,457	3,457
Due between two and five years	31,039	31,039	30,839	30,839
Due in five years or more	82,614	82,614	86,070	86,070
Total secured and unsecured loans	<u>120,567</u>	<u>120,567</u>	<u>123,823</u>	<u>123,823</u>
Due within one year	<u>(3,457)</u>	<u>(3,457)</u>	<u>(3,457)</u>	<u>(3,457)</u>
Due after more than one year	<u>117,110</u>	<u>117,110</u>	<u>120,366</u>	<u>120,366</u>

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.

On 24 June 2010 an additional loan facility to support the University's capital programme was agreed as follows: up to £70m was available as a revolving credit facility until 23 December 2013, following which £45m was established as a term loan over 27 years, to be repaid wholly at the end of the term. The remaining £25m will be available as a revolving credit facility until 23 June 2020 when, if drawn, it will be established as a term loan on the same basis as above. At 31 July 2018 £55m had been drawn under this facility. In August 2018, see Note 29 Post Balance Sheet Events, the University received £225m under a private placement and used £55m to repay the two 2010 loans.

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 commencing 30 June 2019. At 31 July 2018 this loan had been fully drawn down and £668,000 (2017: £468,000) interest added to the principal sum.

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

Financial statements

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

Interest rate hedging

Under the terms of the 2010 loan, the University committed to hedging at least 60% of its outstanding loan balances and has 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 2018 were as follows:

- £5.25m amortising to nil by March 2027, fixed at 5.66%;
- £25.1m amortising to nil by July 2034, fixed at 5.36%;
- £29.4m rising to £30.9m by July 2027 then amortising to £27m by July 2034 and then level until June 2040, fixed at 4.61%;
- £24.9m 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

Consolidated	Obligation to fund deficit on USS Pension £'000	Defined Benefit Obligations (Note 28) £'000	Total Pensions Provisions £'000	Infrastructure funding £'000	Strike deductions £'000	Staff restructure £'000	Total Other £'000
At 1 August 2017	35,413	49,192	84,605	853	-	5,564	6,417
Utilised in yr	673	-	673	-	-	(6,179)	(6,179)
Additions	3,143	3,407	6,550	17	761	815	1,593
Reductions	(2,321)	(8,342)	(10,663)	-	-	-	-
At 31 July 2018	36,908	44,257	81,165	870	761	200	1,831

University	Obligation to fund deficit on USS Pension £'000	Defined Benefit Obligations (Note 28) £'000	Total Pensions Provisions £'000	Infrastructure funding £'000	Strike deductions £'000	Staff restructure £'000	Total Other £'000
At 1 August 2017	35,413	49,192	84,605	-	-	5,564	5,564
Utilised in yr	673	-	673	-	-	(6,179)	(6,179)
Additions	3,143	3,407	6,550	-	761	815	1,576
Reductions	(2,321)	(8,342)	(10,663)	-	-	-	-
At 31 July 2018	36,908	44,257	81,165	-	761	200	961

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. 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 reduction in the provision includes the amount of recovery contributions paid during 2018 less the impact of unwinding the discount during 2018.

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.

Infrastructure funding

Durham University Developments Ltd entered into an agreement with a developer to carry out infrastructure works costing a maximum of £1m, of which £600,000 is an interest free loan (capital value index-linked to the RPI). After ten years the development of the site is incomplete and hence the proportion of the loan relating to undeveloped plots is repayable by the Company.

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 2018 located in Durham and Queen's Campus Stockton, see Note 29 Post Balance Sheet Events.

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.

Financial statements

23. Endowment reserves

Consolidated and University	Restricted Permanent £'000	Unrestricted Permanent £'000	Restricted Expendable £'000	2018 Total £'000	2017 Total £'000
At 1 August 2017					
Capital	29,128	31,217	9,012	69,357	65,446
Accumulated income	2,331	-	294	2,625	2,186
	<u>31,459</u>	<u>31,217</u>	<u>9,306</u>	71,982	67,632
New endowments	190	-	68	258	147
Investment income	809	171	258	1,238	1,201
Expenditure	(710)	(171)	(310)	(1,191)	(930)
Increase in market value of investments	1,094	288	340	1,722	3,932
	<u>1,383</u>	<u>288</u>	<u>356</u>	2,027	4,350
Total endowment comprehensive income for the year					
	<u>32,842</u>	<u>31,505</u>	<u>9,662</u>	74,009	71,982
At 31 July 2018					
Represented by					
Capital	30,113	31,505	9,352	70,970	69,357
Accumulated income	2,729	-	310	3,039	2,625
	<u>32,842</u>	<u>31,505</u>	<u>9,662</u>	74,009	71,982
Analysis by type of purpose:					
Lectureships	11,514	-	3,347	14,861	3,688
Fellowships	400	-	-	400	10,911
Scholarships and bursaries	9,533	-	-	9,533	9,306
Research support	5,769	-	4,238	10,007	9,560
Prize funds	1,961	-	-	1,961	1,862
Student facilities	3,665	-	2,077	5,742	5,438
General	-	31,505	-	31,505	31,217
	<u>32,842</u>	<u>31,505</u>	<u>9,662</u>	74,009	71,982
Analysis by asset:					
Fixed assets				18,022	18,022
Current and non-current asset investments				45,980	44,258
Cash and cash equivalents				10,007	9,702
				<u>74,009</u>	<u>71,982</u>

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 £'000	Fellowships £'000	Prizes £'000	Scholarships £'000	Total £'000
Opening balance 1 August 2017	2,503	2,916	37	1,335	6,791
Additions	101	-	-	-	101
Income	52	89	1	35	177
Expenditure	(539)	(92)	(1)	(23)	(655)
Change in market value	76	129	1	59	265
	<u>2,193</u>	<u>3,042</u>	<u>38</u>	<u>1,406</u>	<u>6,679</u>
Closing balance at 31 July 2018	2,193	3,042	38	1,406	6,679
Number of funds	5	2	2	9	18

Financial statements

25. Restricted reserves

Consolidated and University	Unspent Capital Grants £'000	Donations £'000	2018 Total £'000	2017 Total £'000
Balances at 1 August 2017	5,468	6,378	11,846	6,215
New grants	1,499	-	1,499	7,665
New donations	-	1,560	1,560	1,705
Investment income	-	74	74	100
Capital grants utilised	(3,454)	-	(3,454)	(2,709)
Expenditure	-	(1,192)	(1,192)	(1,130)
Total restricted comprehensive income for the year	(1,955)	442	(1,513)	5,631
At 31 July 2018	3,513	6,820	10,333	11,846
Analysis of other restricted funds/donations by type of purpose:				
Fellowships	-	510	510	417
Scholarships and bursaries	-	1,980	1,980	1,684
Research support	-	1,907	1,907	1,923
Student facilities	3,513	2,342	5,855	7,738
Prize funds	-	81	81	84
	3,513	6,820	10,333	11,846

26. Capital commitments

	Consolidated 2018 £'000	University 2018 £'000	Consolidated 2017 £'000	University 2017 £'000
Commitments contracted for	55,112	55,112	14,190	14,190

27. Lease obligations

	Land and Buildings £'000	Plant and Machinery £'000	2018 Total £000	2017 Total £000
Payable during the year	2,117	477	2,594	1,348
Future minimum lease payments due				
Not later than 1 year	2,117	477	2,594	1,348
Later than 1 year and not later than 5 years	8,445	468	8,913	4,134
Later than 5 years	31,957	-	31,957	9,758
Total lease payments due	42,519	945	43,464	15,240

Financial statements

28. Pensions

(a) Universities Superannuation Scheme

The total cost of contributions charged to the Income and Expenditure account was £19,890,000 (2017: £20,126,000). This includes £1,681,000 (2017: £1,666,000) 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 2014 ('the valuation date') which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway, but not yet completed.

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

The 2014 valuation was the third valuation for the USS under the scheme – specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6b and the value of the Scheme's technical provisions was £46.9b indicating a shortfall of £5.3b. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the scheme have been produced using the following assumptions as at 31 March 2017 and 2018:

	2018	2017
Discount rate	2.6%	2.6%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.0%	2.4%

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

2018

Pre-retirement

Males members' mortality	71% of AMCOO (duration 0) for males
Females members' mortality	112% of AFCOO (duration 0) for females

Post-retirement

Males members' mortality	96.5% of SAPS S1NMA 'light' for males
Females members' mortality	101.3% of RVOO for females

2017

Males members' mortality	98% of S1NA ['light'] YoB tables – no age rating
Females members' mortality	99% of S1NA ['light'] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates, the CMI 2014 projections with a 1.5% pa long term rate were also adopted in 2017.

In 2018 the CMI 2016 projections with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% for females are adopted.

The assumed life expectancies on retirement at age 65 are:

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

The estimate of funding carried out at each scheme year between actuarial valuations was as follows:

Existing benefits	2018	2017
Scheme assets	£63.6bn	£60.0bn
Scheme liabilities	£72.0bn	£77.5bn
Scheme deficit	£8.4bn	£17.5bn
Scheme funding level	88%	77%

A contingent liability exists in relation to the USS. The 2017 Scheme Valuation has still not been agreed and could result in an increase in employer contributions. At this stage it is not possible to quantify the impact.

Financial statements

28. Pensions *continued*

(b) Durham University Pension Scheme *continued*

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, 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.

From 1 August 2016, employees 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 join 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 6 April 2015, 39% of the liabilities were attributable to current employees, 17% to former employees and 44% to current pensioners.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme at 6 April 2015 was carried out by a qualified actuary and showed a deficit of £26.3 million. The deficit was expected to be removed by 31 July 2030 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 6 April 2018, at which time progress towards full-funding will be reviewed. Over the accounting period the University paid contributions of 19.2% of Pensionable Salaries less member contributions in respect of accrual of benefits for current employees.

The University expects to contribute £4,200,000 in the year commencing 1 August 2018.

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.

A contingent liability exists in relation to the equalisation of Guaranteed Minimum pension ('GMP'). The UK Government intends to implement legislation which could result in an increase in the value of GMP. This would increase the defined benefit obligation of the Scheme. At this stage, it is not possible to quantify the impact of this change.

Financial statements

28. Pensions *continued*

(b) Durham University Pension Scheme *continued*

Reporting at 31 July 2018

The results of the latest funding valuation at 6 April 2015 have been adjusted to the balance sheet date taking account of experience over the period since 6 April 2015, 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:

<i>Main financial assumptions</i>	2018	2017
	% per annum	% per annum
RPI inflation	3.15	3.15
CPI inflation	2.05	2.05
Long term rate of salary increases	3.50	3.50
Rate of discount for Scheme liabilities	2.80	2.65
Increases to pensions in payment - minimum 3%	3.60	3.60
Increases to pensions in payment - maximum 2.5%	2.15	2.15

Non-financial assumptions

The most significant non-financial assumption is assumed longevity and the mortality assumptions adopted at 31 July 2018 imply the following life expectancies from age 65:

	2018	2017
	years	years
Male currently aged 65	21.5	21.4
Female currently aged 65	24.2	24.1
Male currently aged 45	23.2	23.1
Female currently aged 45	26.1	26.0

The mortality table adopted is the SAPS 'All Lives' 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 2014 core projections assuming a long term rate of improvement in mortality of 1.25% p.a. for men and women.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Effect on liability
Discount rate	Increase by 0.5%	Decrease by £14.9 million
Mortality underpin	Increase by 0.25%	Increase by £2.9 million

Scheme assets and expected rates of return

The assets of the Scheme were invested as follows:

	2018	2017
	£'000	£'000
UK equities	11,016	30,423
Overseas equities	36,792	24,709
Absolute return	32,083	20,137
Liability Driven Investments	18,766	17,784
Property	10,943	10,780
Cash / other	5,928	4,790
	115,528	108,623

The expected long-term rates of return are as follows:

	2018	2017
	%	%
Equities	6.60	6.60
Bonds UK Corporate	2.65	2.65
Bonds UK Government	1.90	1.90
Absolute return	5.60	5.60
Property	6.60	6.60
Cash	0.25	0.25

Financial statements

28. Pensions *continued*

(b) Durham University Pension Scheme *continued*

The expected long term return on corporate bonds is equal to the discount rate used to value the liabilities. This is based on the annualised yield on the Aon Hewitt GBP Select AA Curve at a duration of approximately 20 years.

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

	2018	2017
	£'000	£'000
Present value of Scheme liabilities	(159,785)	(157,815)
Fair value of Scheme assets	115,528	108,623
Net liability	(44,257)	(49,192)

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

	2018	2017
	£'000	£'000
Present value of Scheme liabilities at 1 August	157,815	152,566
Current service cost	5,418	5,539
Interest cost	4,194	3,685
Contributions by members	72	64
Actuarial gains	(3,150)	(401)
Benefits paid and death in service insurance premiums	(4,589)	(3,660)
Past service costs	25	22
Present value of plan liabilities at 31 July	159,785	157,815

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

	2018	2017
	£'000	£'000
Fair value of Scheme assets at 1 August	108,623	98,736
Interest income	2,864	2,380
Return on plan assets	4,530	7,674
Contributions by employer	4,753	4,353
Contributions by members	72	64
Benefits paid and death in service insurance premiums	(4,589)	(3,660)
Administration costs	(725)	(924)
Fair value of Scheme assets at 31 July	115,528	108,623

Financial statements

28. Pensions *continued*

(b) Durham University Pension Scheme *continued*

Analysis of the charge to the income and expenditure account

	2018 £'000	2017 £'000
Analysis of operating charge		
Current service cost	(5,418)	(5,539)
Administration costs	(725)	(924)
Past service cost	(25)	(22)
Operating charge	(6,168)	(6,485)
Analysis of pension finance cost		
Interest income	2,864	2,380
Interest on plan liabilities	(4,194)	(3,685)
Pension finance cost	(1,330)	(1,305)
Total cost	(7,498)	(7,790)

Amount recognised in Other Comprehensive Income

	2018 £'000	2017 £'000
Return on plan assets	4,530	7,674
Experience gains arising on plan liabilities	(1,579)	135
Change in financial and demographic assumptions underlying the plan liabilities	4,729	266
	7,680	8,075

Amounts for the current and previous four years

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000 <small>Not on FRS102 basis</small>
Fair value of assets	115,528	108,623	98,736	89,908	80,217
Present value of Scheme liabilities	(159,785)	(157,815)	(152,566)	(124,135)	(109,291)
Deficit in Scheme	(44,257)	(49,192)	(53,830)	(34,227)	(29,074)
Experience adjustment on Scheme liabilities	(1,579)	135	(1,055)	190	485
Experience adjustment on Scheme assets	4,530	7,674	6,526	6,036	754
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	4,729	266	(22,317)	(9,870)	(5,334)

(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 appointed NOW Pensions to provide its workplace pension scheme for automatic enrolment. NOW 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. During the year this contract went out to tender and Arriva became the provider from November 2017.

Employer contributions are currently 2% and employees pay 3%. The cost to the University during 2018 was £123,000 (2017: £94,000).

(d) NHS Pension Scheme

The University used to employ a small number of staff who, due to their background, participated in the NHS Pension Scheme. The University was not able to identify its share of the assets and liabilities of the scheme and therefore accounted only for contributions paid which amounted to £nil during the year. (2017: £10,000).



Financial statements

29. Post Balance Sheet events

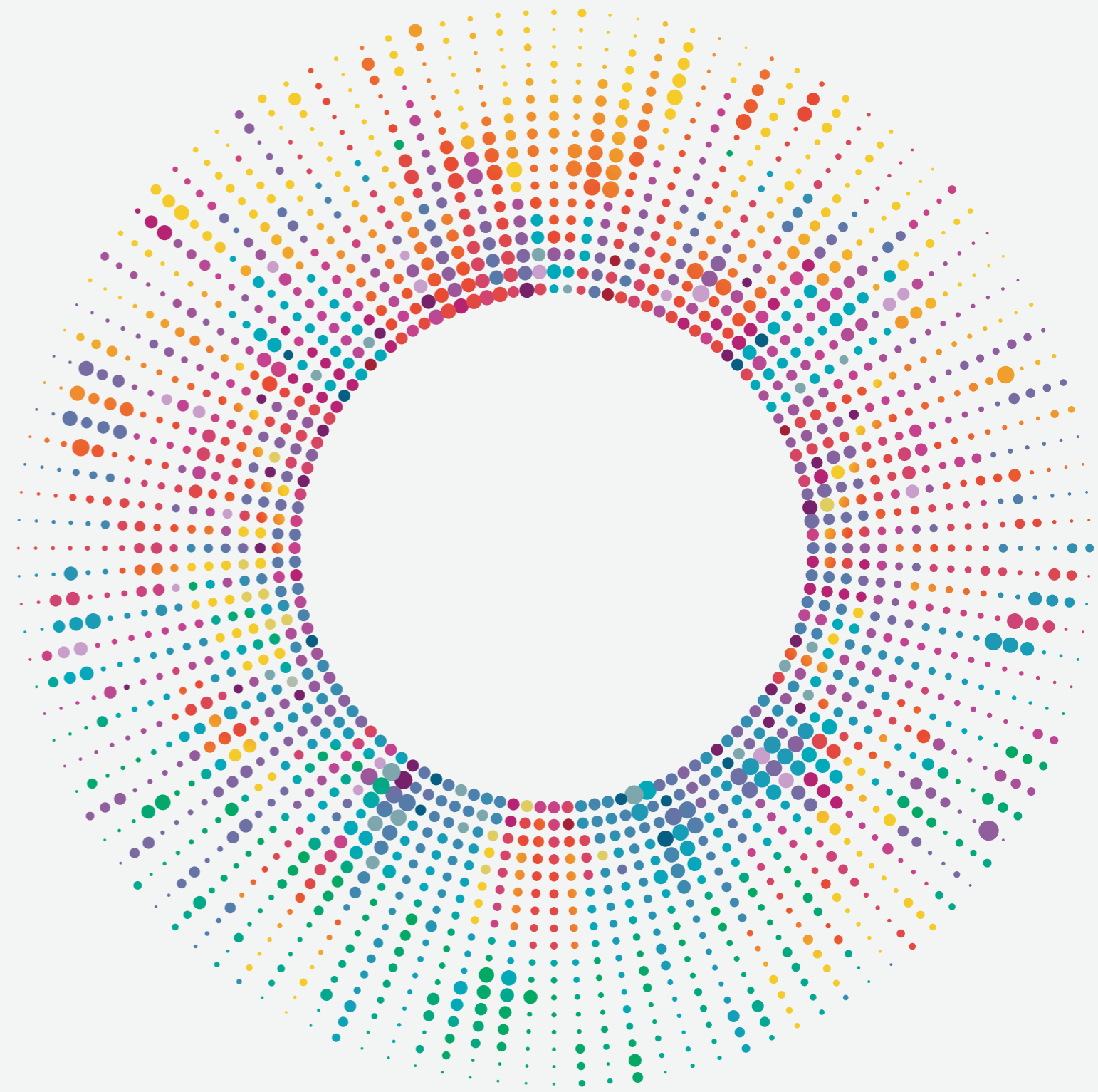
The final re-purposing of the Queen's Campus at Stockton-on-Tees took place during the year. Provisions relating to the staff restructuring relating to this can be found in Note 22 to the accounts.

On 16 August 2018 the University entered into a service concession agreement to build and operate two new colleges with a total of 1,000 bed spaces at Mount Oswald. It is anticipated that these facilities will come online from September 2020 with completion of a University hub and multi-purpose sports arena from October 2019.

On 28 August 2018 the University entered into a private placement to secure funding of £225m. The funds will be used to support the delivery of the University Strategy 2017-2027, which aims to ensure Durham University can extend its mission to contribute to society by delivering world-class research and education and an unmatched wider student experience.

At the same time, on 28 August 2018, the University took the opportunity to re-structure its existing facilities with Barclays Bank plc. Part of the £225m raised from the private placement was used to restructure and repay amounts outstanding under the 2010 loan.





Durham University
The Palatine Centre
Stockton Road
Durham
DH1 3LE
UK
+44 (0)191 334 2000
www.durham.ac.uk



[/durhamuniversity](https://www.facebook.com/durhamuniversity)



[@durham_uni](https://twitter.com/durham_uni)



[Durhamuniversity](https://www.instagram.com/Durhamuniversity)



[Durhamuniversity](https://www.youtube.com/Durhamuniversity)



community.dur.ac.uk/blogs

The University of Durham (trading as Durham University) an Exempt Charity noted in Schedule 3 of the Charities Act 2011.

Durham University and Durham University logo are registered Trade Marks of the University of Durham. Unless otherwise stated, all material in this publication is copyright of the University of Durham. The University makes every effort to ensure that the information contained here is accurate. This publication is intended as a general guide to Durham University's facilities and form no part of any contract between you and the University. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form, or by any means, electronic, mechanical, photocopying, recording or otherwise, without the permission of the University. Please note that the University's website is the most up to date source of information and we strongly recommend that you always visit the website before making any commitments.

CUR/11/18/068



**SO MUCH
MORE**