

Inspiring the extraordinary

Annual Report
and Financial Statements
for the year ended 31 July 2022





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

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

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

We are proud of the extraordinary people we have at Durham. We offer the inspiration, they deliver remarkable achievements.



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Integrated reporting

The report was developed in consultation with our Executive team and approved by our Council (trustees). Council acknowledges its overall responsibility for the accuracy and integrity of the report.

This report takes into account the concepts of the Integrated Reporting Framework developed by the International Integrated Reporting Council (now part of the IFRS Foundation). We are continuing progress to adopt the framework to embed integrated thinking and decision-making, to improve the quality of our reporting and support the long-term sustainability of our institution for the benefit of our stakeholders. This report supports the process through providing a concise communication about how our strategy,

governance, performance and prospects, in the context of the external environment, lead to the creation of value over the short, medium and long term. In preparing this report, we have identified and disclosed matters based on their ability to affect our value creation, both positive and negative.

We began our journey to develop an Integrated Report in 2017. Subsequent reports have continued this process to further align with the principles of the reporting framework. This reflects improvements in our integrated thinking as we refine our annual planning process, with enhanced data, to consider the impact and interdependencies of the capitals (inputs) on decision-making and consider and respond to our stakeholders.



This has put some pressure on infrastructure, resources and staffing but I was delighted to learn that the University was able to provide all new and international students who wanted to come to Durham, with accommodation within the city.

The Government decision to freeze the undergraduate tuition fees for home, undergraduate students until 2024/25 presents increased financial pressures and challenges for the sector, particularly with rising costs. Council will be supporting management to engage with stakeholders to reassess priorities and plans and to set out a refreshed strategy to ensure Durham maintains its leading position in the sector.

Durham is a globally networked university with aims to strengthen its international relationships and increase its international student, academic and alumni community. The University demonstrated its commitment to supporting international colleagues this year through the response to events in Afghanistan and Ukraine. As a partner of the Council for At-Risk Academics, the University increased its investment to support additional placements in the UK for academics and their families fleeing Afghanistan. We condemned the attack on Ukraine and suspended bilateral collaborations with organisations in Russia and Belarus. The University has twinned with Zaporizhzhia National University in Ukraine and is working with Durham County Council to provide interpreting,

translation and other linguistic support in Ukrainian, Polish and Russian. Financial and pastoral support is also being provided to students and staff at Durham from the affected countries.

The values of the University outline the commitment to ensuring Durham is a safe, respectful and inclusive place to live, work and study. Awareness of these equality objectives is promoted through policies, training, guidance and campaigns, which are informed through analysing data of reported incidents. The University is committed to supporting students and staff to honour these values, to promote a culture of inclusion and uphold freedom of expression within the law.

The Council will continue to support management to steer the institution through the challenges, to take opportunities and achieve outstanding results that have a positive influence on society to secure the long-term future.

Joe Docherty
Chair of Council

Foreword from the Chair of Council

Durham University provides education, skills and experiences to develop and enable individuals to respond to challenges and opportunities for the benefit of the individual and the wider society. Durham performs a crucial civil role in providing skills for the workforce, supporting the local and national economy, finding solutions to problems, including environmental challenges, and helping to build a respectful society. This report highlights some of the successes of the University in performing this role and explains how it is evolving to meet the needs of stakeholders and respond to a changing environment in order to sustain its future.

During the 2021/22 academic year, the University saw the number of academic subjects ranked in the world top 50 increase to 12, from 8 the previous year, and improved performance in the results of the Research Excellence Framework and in the People and Planet University Green League Table. Durham has made positive progress in academic recruitment in terms of gender and race, support for the wellbeing of staff, achievements against widening participation targets, improved employment outcomes for graduates and the development of the University's IT and estate, including award-winning new buildings. Durham maintains its focus on providing positive opportunities for students outside of academic study and was named Sports University of the Year 2023.

The 2021/22 academic year also brought new challenges for the University, as for the wider society, with the continuing impact of the Covid-19 pandemic and uncertainty caused by the national and international political environment.

The University experienced an increase above target, in the number of new undergraduate students, for the second year in a row, due to late changes in assessing A-level results.





Welcome from the Vice-Chancellor

Since joining Durham University in January 2022, I have been enormously impressed by the dedication of the whole community to the success of the institution. I have found in Durham an extraordinary, inspiring and supportive centre that transforms lives through the education and experiences provided to students, development of staff, community engagement and pioneering research. The University has a significant presence on the small and beautiful city in which it is located and from where it has built connections stretching across the world.

I would like to thank the Deputy Vice-Chancellor and Provost for acting as Vice-Chancellor at the start of the 2021/22 academic year and for his support since my arrival as well as the rest of my senior colleagues and wider teams. I am excited to have this opportunity to lead this remarkable institution to secure its future and continue making a positive impact on the world.

After the disruption of the last two years with Covid-19, I was so pleased to be able to re-establish more in-person activities this year, including our very special Matriculation ceremonies to greet new students, despite the revised location of a breezy marquee. Throughout the year, we continued to monitor and review our Covid-19 safety protocols in line with government guidance. We continued with our Covid testing programme throughout the Michaelmas (first) term and slowly wound this down during the first part of 2022. By mid-January, we were able to offer in-person teaching and other student activities across all areas. Many staff who had been working at home began adjusting to new hybrid ways of working and facilities opened again to the wider public. It was a pleasure to welcome back students who had graduated since the pandemic started, to attend in-person graduation ceremonies and to witness the final, touching ceremony presided by our wonderful Chancellor, Sir Thomas Allen, who stepped down after ten years in the role.

The institution has, and is continuing, to face a variety of staffing challenges. Reflecting the national picture, we experienced absences due to Covid-19 and difficulties in recruitment, particularly in catering and housekeeping. Our staff have stepped up and worked hard to maintain delivery of our core services to students and to support each other.



The rising cost of living will bring new challenges for the next academic year. Although Durham is in a strong financial position at present, we will need to carefully monitor the impact on our budget and look after our staff and students who may be struggling.

I am currently leading a refresh of the University Strategy, which currently runs up to 2027. In light of changes in the external environment we shall consider opportunities to revise our plans for the future size and shape of the institution, to increase alternative income sources and to grow our research outputs, with awareness of our impact on the environment, and aim to sustain our future.

Professor Karen O'Brien
Vice-Chancellor and Warden



Overview

Introduction

Durham is one of the world's great universities and one of the most distinctive. Our history as a centre of learning goes back over a thousand years. Founded in 1832, we are England's third oldest university.

We are proud of the world heritage site of Durham Cathedral and Castle, which sits at the heart of our collegiate campus and wonderful city. At the same time, we have ambitious plans to enhance our remote and online offer to provide world-class products globally. We're already an international family of extraordinary people comprising 26 departments across four faculties, with over 4,000 staff and around 22,000 students. All our students belong to one of 17 colleges, which provide a unique, supportive environment to inspire them to become the best they can be, in their studies and beyond.

We appoint academics and thought-leaders to conduct boundary-breaking research that makes an impact across the globe. 90% of our research is classed as world-leading or internationally excellent, according to the Research Excellence Framework (REF) 2021. We are a member of the Russell Group of leading, research-intensive UK universities.

We offer a broad range of undergraduate and postgraduate courses covering the Arts and Humanities, Sciences, Social Sciences and Business. Our degree programmes are informed by research undertaken by our staff in partnership with policymakers, industry, the public sector and communities around the world.

We combine academic excellence with a commitment to provide our students with the opportunity to develop as highly motivated, well-rounded and socially engaged leaders of tomorrow. Through our departments and colleges, our students get all the benefits of an enabling, supportive and diverse community, which provide a great source of friendship, well-being and pastoral care. Our strong commitment

to excellence in sport, music, drama and volunteering means that we offer a host of opportunities and produce outstanding performances in all these areas.

We care about our local surroundings and work hard to be a good neighbour and one of the best employers in the region. Our active engagement with local agencies and community groups has been invaluable during the Covid-19 pandemic, particularly through coordinating response plans with the local Council, police and Public Health teams, to support the safety of our staff, students and local community.

As a charity, we manage our income and costs cautiously and seek to make an annual surplus in order to invest in our people and facilities to deliver our goals. The surplus enables us to undertake major projects such as new buildings and investment in IT, respond to new challenges (e.g. Covid-19) and ensure our financial sustainability.



22,000
Students

(Russell Group)

4,000
Members of Staff

Durham University league table performance

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

The presentation of league table results has been revised from the previous year to align with other publications and to reflect that the rankings, while published in one year (e.g.2022), are held by the institution for the following year (e.g. 2023).

League Table	2023	2022	2021
Complete University Guide	6th	6th	7th
The Times and Sunday Times Good University Guide	6th	6th	6th
The Guardian	6th	5th	4th
Quacquarelli Symonds (QS) World University Rankings	92nd	82nd	86th
Times Higher Education (THE) World University Rankings	=198th	=162nd	=149th
Times Higher Education (THE) Impact Rankings	n/a*	101-200	87th
Academic Ranking of World Universities (ARWU)	n/a*	301-400	301-400

*These rankings will be published during 2023..

United Nations' Sustainable Development Goals

- 1 NO POVERTY
- 2 ZERO HUNGER
- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
- 17 PARTNERSHIPS FOR THE GOALS

Vision and Strategy



Overarching aims

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

- a. Produce world-leading and world-changing research across all core academic disciplines
- b. Deliver an education that is challenging, enabling, research-led and transformative, on campus and through blended-learning online
- c. Provide our students with a wider experience that is as good as any in the world, through our colleges, the Student Enrichment Directorate and the Durham Students' Union.

Our values

Our core values reflect who we are and who we want to be.

We are:



Inspiring

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



Challenging

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



Innovative

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



Responsible

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



Enabling

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

Strategy 2017-2027

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

This report sets out our goals and performance across the themes of our Strategy: people; research; education; wider student experience; global; and infrastructure, as well as consideration of our environmental impact. We continually monitor our progress against our strategic goals and have developed and refined our Strategy Performance Indicators (some of which are included in the report) to reflect changes in the internal and external context that impact our priorities over time.

We are now half-way through the Strategy period and have already achieved much that was planned. We have strengthened our core research, education and wider student experience activities in Durham City and repurposed Queen's Campus in Stockton as our International Study Centre. In turn, this pathway has contributed to an increase in international

students of over 40%. At the same time, we have invested in increasing our core academic and teaching staff by almost 300, through high profile, internationally competitive, annual recruitment campaigns, strengthening both our research expertise and teaching excellence. We have accompanied this by investment in our estate, including our new Teaching and Learning Centre, new Mathematical Sciences and Computer Science building, redeveloped Sports and Wellbeing Park, one new College and new sites for other Colleges. We have succeeded in widening access for students, delivering innovative new education programmes, improving key aspects of staff diversity and enhancing our financial sustainability.

During the 2022 calendar year, the executive, in consultation with staff and the governing body, began to review the Strategy to reflect on the progress made over the last five years and the changes in the external operating environment. A refreshed Strategy will be published during 2022/23 with an emphasis on: sustainability; civic and regional partnership; digital; business engagement; widening access; student wellbeing; future skills; equality, diversity and inclusion; and supporter development. Financial sustainability is also critical in the current uncertain environment, to enable continued investment to achieve our goals.

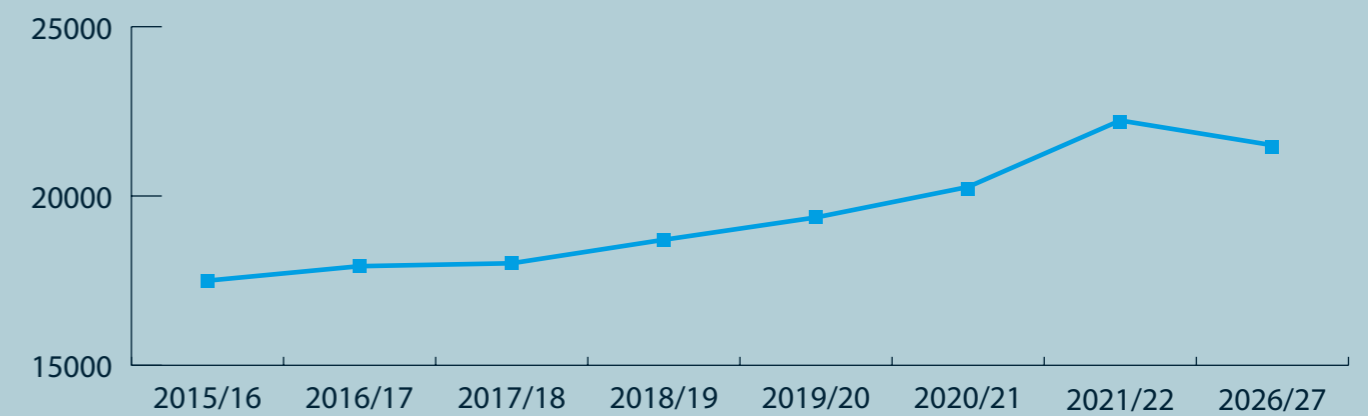




Future plans

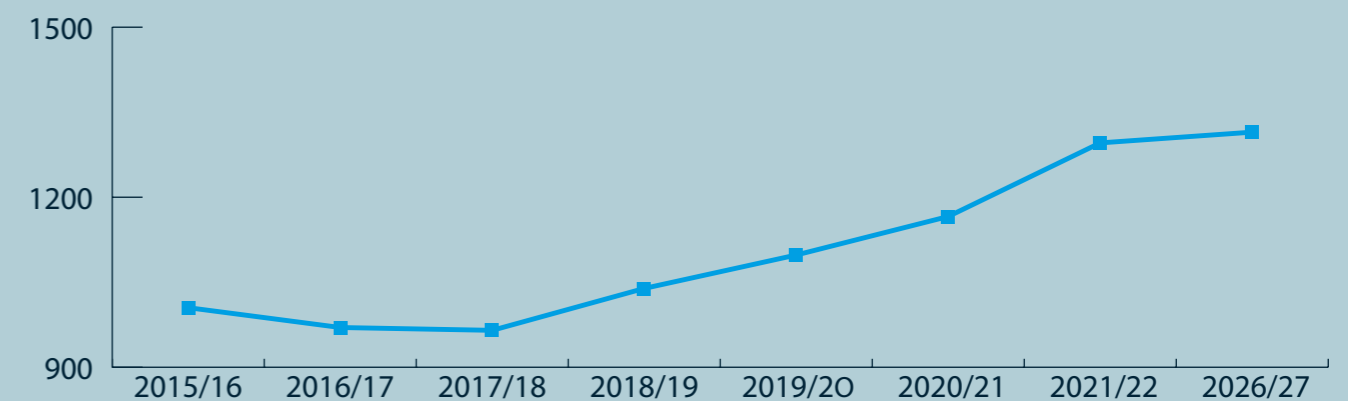
Our Strategy prescribed targets to grow our student body and academic community. A-level outcomes in 2020 and 2021 means we have currently exceeded our student target number. As the two large cohorts graduate, we will return to our intended trajectory. We remain committed to further internationalisation, the growth of postgraduate taught provision and to the development of online, hybrid and Continuing Professional Development programmes.

Student numbers and projected growth (headcount)



%Growth (2015/16 - 2021/22): 26% | %Growth (2015/16 - 2026/27): 23%.

Academic staff* numbers and projected growth (full-time equivalent)



%Growth (2015/16 - 2021/22): 29% | %Growth (2015/16 - 2026/27): 31%.

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

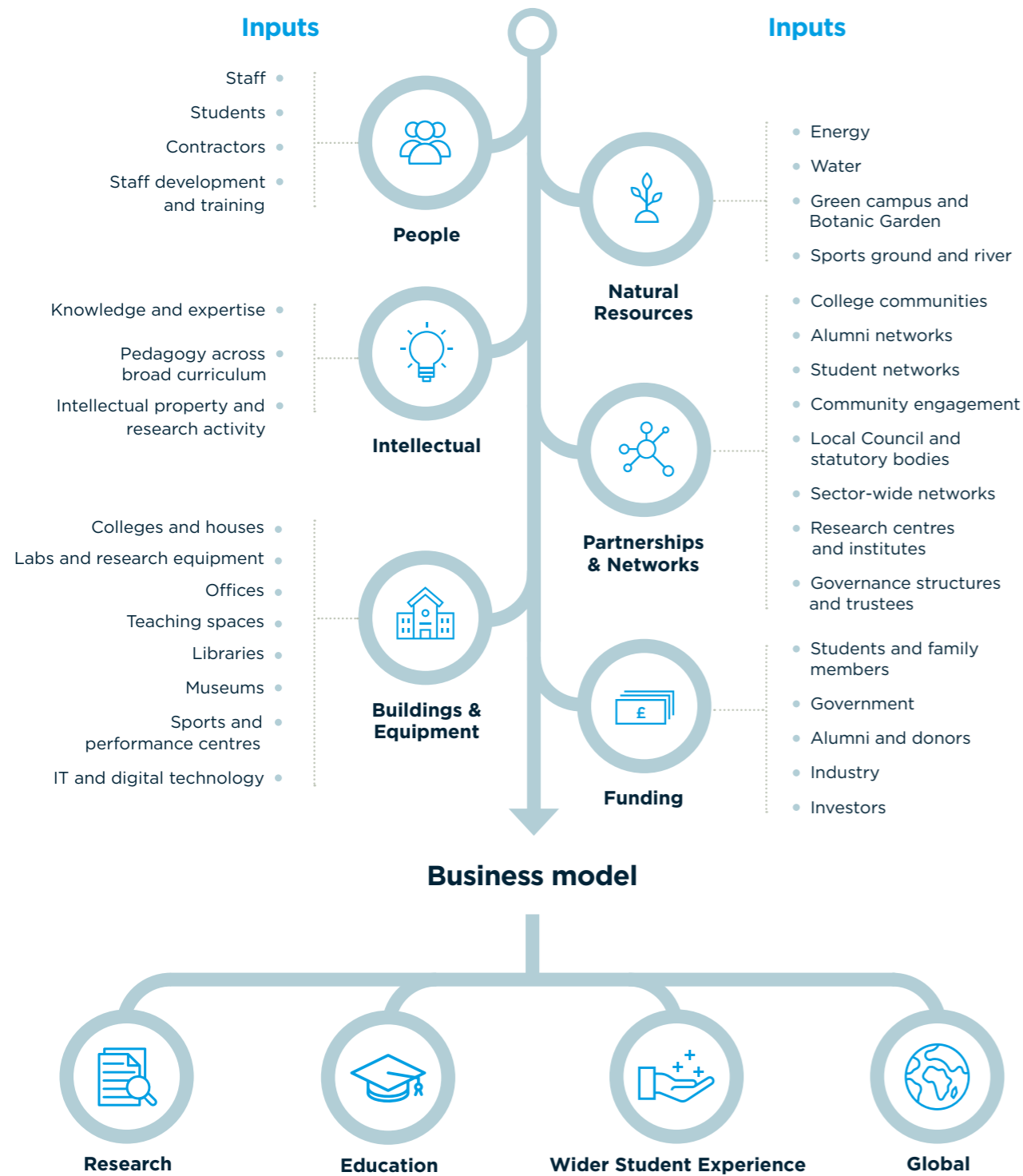
Our purpose

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

- Boundary breaking interdisciplinary **research**
- Providing a challenging **education** supported by a distinctive college environment and a **wider student experience** to produce graduates capable of fulfilling their potential
- Being **globally** networked and embedded in the local community.

Value model

Our value model illustrates how our inputs, through our activities, are transformed into outputs and outcomes that fulfill our purpose and demonstrate value for our stakeholders.



Outputs



- Boundary-breaking research, enhanced understanding and knowledge.
- An education that is challenging, enabling, research-led and transformative.
- Student societies, activities and events supported through Colleges, Student Enrichment Directorate and Durham Students' Union.
- Student support services (including financial, physical, emotional).
- Residential accommodation and catering.
- Alumni engagement, networks and events.

Outcomes



- Our research improves lives, expands knowledge and responds to global and environmental, social and economic challenges.
- Our education provides a skilled workforce for employers, with degrees that hold their value over time and facilitates the social mobility of our students.
- Our students are enabled, through our support systems, to participate in and enjoy their University experience.
- Our graduates develop knowledge to understand and change themselves and the world around them, becoming future leaders in their field and good citizens in both local and global communities.
- Our distinctive College system delivers a strong sense of community and belonging for students and alumni.
- Our students and graduates benefit from the advice, opportunities, philanthropy and enhanced global reputation provided by our alumni.
- Our city and region benefit from the spending power and volunteering of our staff and students and access to sporting and cultural facilities and public events to help maintain our social sustainability.
- Our comprehensive financial planning enables us to continuously invest in our service provision and ensure our financial sustainability.
- Our impact on the environment is reduced and biodiversity across the estate is maintained or increased to help maintain our environmental sustainability.

Stakeholders

- Students and family members
- Staff
- Governors
- Alumni and Donors
- Government and Regulators
- Research Partners
- Industry and other partners
- Employers
- Local Community
- Investors and funders

Managing our risks

The management of risks and opportunities at all levels is integral to the success of the University. Our approach is to be a 'risk aware' organisation, meaning that uncertainties (both threats and opportunities) that could have a material impact on our ability to create value over time, are considered and acted upon.

Our framework is based on the principles of ISO 31000: Enterprise Risk Management (ERM), providing a structure that emphasises the involvement of all management levels and employees in the risk management life cycle. This improves decision-making, planning and prioritisation to support the achievement of our objectives.

Our audit and assurance processes are closely aligned; the Strategic Planning and Insight team works closely with the University Assurance Service to ensure the annual audit plan is underpinned by an analysis of our strategic risks. Over the last 12 months, we have been working with an external provider to develop new software that will be rolled out during 2022/23, providing better data analysis and reporting functionality for numerous strands of assurance.

A new Head of Risk Management was appointed in 2022, responsible for leading the development of an enhanced risk management framework and the associated procedures for identifying, managing and monitoring key institutional risks and opportunities. This role also incorporates a horizon

scanning function that identifies and communicates major external threats and opportunities faced by the University, drawing on various sources of insight.

Effective risk management is a process built on continuous review and improvement. During 2021, we completed a major refresh of the strategic risk register, condensing this into seven thematic risks with clearly defined ownership and action plans. This helped to ensure that high-level, strategic risk is well understood and monitored, crucial at a time of extraordinary change in the delivery of global education and research. During 2022/23, we will be developing this further, introducing Key Risk Indicators against each strategic risk and enhancing both the format and frequency of reporting, thereby enabling improved oversight. We will also be reviewing our Risk and Opportunity Management Policy and increasing awareness of both risk appetite and tolerance across distinct risk domains.

The relevant risks that are impacted by our activities within each of the areas of the Operational Review are identified within this report.



Principal Risks and Uncertainties

The major overarching Strategic Risks, as at 31 July 2022, together with key mitigating actions are outlined below. The overall risk score for SR6 decreased during the year due to mitigating actions. All other risk scores remained the same. Council subsequently approved two new risks SR8 Student Wellbeing and H&S01 Health and Safety Management System, and the closure of SR7 Pensions, with residual actions assigned to either SR2 or SR3.

Strategic risk (SR)	Main mitigations
SR1 Brand and Value Proposition — Risk that there is a disconnect between our value proposition and the needs and expectations of key stakeholders.	<ul style="list-style-type: none"> Enhancing research reputation and profile Increasing research income acquisition Development of international partnerships and programmes Development of global reputation campaigns and regional strategies to diversify our international student base Delivery of access and participation plan
SR2 Business Model and Financial – Sustainability Risk that we are unable to generate sufficient income to thrive in the global HE (Higher Education) sector and deliver our mission.	<ul style="list-style-type: none"> Increased focus on programme development Development of an Income Diversification Plan Finance Committee oversight of investment performance Tracking changes to inflation and the Bank of England base rate Integrated planning process
SR3 People and Culture — Risk that we fail to support our people to realise their potential, threatening our ability to deliver world class research, education and wider student experience.	<ul style="list-style-type: none"> Attractive and evolving total reward package Hybrid working and Working Principles Learning and Development opportunities Inclusive culture development
SR4 Infrastructure – Estate — Risk that our physical estate is not developed and maintained to a high standard, impacting on our ability to deliver a world class environment for students and staff.	<ul style="list-style-type: none"> Estates Strategy and Masterplan Planned facilities investment, cognisant of inflation and rising costs Planning for environmental sustainability – scope 1 and 2 Carbon reduction targets established Space Management Policy
SR5 Infrastructure – IT — Risk that our IT infrastructure is not developed to a high standard or enhanced to allow for digital transformation, limiting our ability to provide an outstanding and innovative digital experience that meets expectations.	<ul style="list-style-type: none"> Digital Strategy Cyber Security Strategy
SR6 Governance and Management ▼ Risk that decision-making processes limit our ability to respond to an increasingly globalised, competitive and volatile operating environment.	<ul style="list-style-type: none"> External body commissioned to review Council and Senate effectiveness Management of governance committee business Codes of behaviour, from Nolan Principles to University values and behaviours Frameworks and Service Level Agreements with student and other partner organisations
SR7 Pensions — Risk of significant additional costs to the University and employees in order to secure the long run sustainability of two defined benefit schemes, USS and DUPS.	<ul style="list-style-type: none"> Sector-wide employer reviews to determine feasible resolution Pensions Working Group Senior officers working with DUPS trustees to review options Direct dialogue with USS and HE sector bodies

Operational Review

People



Strategic Risk SR3, SR7

Goal

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

What has been achieved

Our staff are our most important asset and undertake a wide range of roles across the University to collectively enable delivery of our world-class research, education and wider student experience. Our staff are essential to the establishment of a supportive community to deliver our values and create a positive working environment to provide excellent opportunities for colleagues as well as for students. Our People Strategy has a strong focus on the wellbeing, engagement and development of our people.

We recognise that to recruit and retain some of the best staff from around the world, we need to invest in high quality facilities, support, training and development. Our national and international reputation is important to attract candidates, in a competitive market, to come to the North East of England.

We provide a competitive and well-rounded reward package including a staff benefits platform with corporate discounts, travel schemes, health insurance, a generous holiday entitlement, volunteering, research leave policies and an on-site nursery. We keep this under regular review and, this year we updated and improved our family friendly policies to make them amongst the most generous in the sector.

2021/22 saw an increased focus on how we recognise and reward our colleagues. This has included changes to our pay spine to increase the pay of our lowest paid staff above the Real Living Wage, making a Thank You Payment (of up to £1,000) to all staff, awarding additional payments or salary progression to around 1,500 staff through our annual reward

and progression schemes, and delivery of staff award events to celebrate the contribution and development of our colleagues. All staff received an annual increase of not less than 3%, with just under a third receiving a higher increase, up to 9% for those on the lower points of our pay spine.

Our mean gender pay gap for the year to 31 March 2021 (the latest available figures) is 22.1%, a reduction from 23.5% in 2020 and 25.4% in 2017. Despite this improvement, we acknowledge that the gap is still too large and continues to reflect the fact that we have more men than women in higher paid roles. We are addressing this through a comprehensive action plan and engagement with our staff and Trade Unions.

We continue to make progress in our attempts to build a more diverse and inclusive workforce. The 2021/22 Academic Recruitment Campaign appointed 130 new staff, with an equal split of men and women and an increase in the number of BAME candidates accepting roles. The percentage of female academic staff has increased from 36.6% in 2017/18 to 42.9% in 2021/22. Our percentage of Black, Asian and Minority Ethnic (BAME) academic staff for 2021/22 is 18%, an increase of 1.3% from 2019/20.

Our commitment to gender equality continues through our engagement with the Athena SWAN charter mark and 22 academic departments hold either a Bronze or Silver award as of August 2022. We received a Race Equality Charter Bronze award in July 2022, demonstrating our ongoing work with key stakeholders to identify, consider and address issues affecting the representation, progression and success of minority ethnic students and staff.

Our first Pro-Vice-Chancellor for Equality, Diversity and Inclusion (EDI), joined in February 2022, supported by an expanded EDI team of staff. A comprehensive range of EDI focused development programmes for staff and students were launched during the year, with the reflections and outputs to inform further EDI focused activity for 2022/23.



We run a comprehensive range of leadership development and management programmes to facilitate a talent pipeline across all grades. We encourage staff to engage in Continuing Professional Development activity at a national and international level. For example, during 2021/22 we initiated the first Matariki international leadership programme working with three Matariki partners: Uppsala, Otago and Queens, Canada, to deliver an online programme for 45 professional service leaders from the four partner institutions.

Our online Health and Wellbeing Hub provides support, information, guidance and news on a wide range of health and wellbeing subjects for staff and students, with a particular focus on mental health.

We held an all-staff event in September 2022, providing colleagues with a forum to engage in conversation with senior staff on the main themes that emerged from the 2021 staff survey: Creating a Caring Culture; Respect; Trust and Leadership. We plan to continue to provide opportunities for staff to share ideas and feedback through focused pulse surveys that will be delivered throughout 2022/23.

We are supporting our Professional Services staff, following a successful pilot, to continue working in a hybrid manner. This approach aims to support recruitment and retention drivers, enhance work-life balance and wellbeing opportunities, and will also alleviate the pressure for space on campus and reduce our carbon footprint.

Case study: New Family-Friendly Policies

We have made some key improvements to our family-friendly policies to match the most generous occupational pay benefits in the university sector.

We've changed our maternity, adoption and paternity policies to remove the time that colleagues need to work with us before being eligible to receive the occupational payments. Additionally, we've increased the length of time that staff can receive occupational full pay while on Maternity or Adoption Leave, up from a maximum of 16 weeks to 26 weeks.

Joanne Race, Director of Human Resources and Organisational Development, said "We've been looking at our range of family-friendly policies for quite some time now and we benchmarked ourselves against other top universities and the occupational benefits they provide."

"We want to be one of the most family-friendly universities in the sector, so we've made these major changes to help colleagues benefit from our family-friendly policies from day one of [their] employment. The changes make us one of only four universities in the country to offer this level of benefit."

"We think it's important to provide the best possible support for staff that we can, helping colleagues to maintain their responsibilities as carers alongside their job. Whether these responsibilities include caring for a child or caring for another dependent, we aim to work with colleagues to maintain a good work-life balance and help people to be successful at home as well as work."

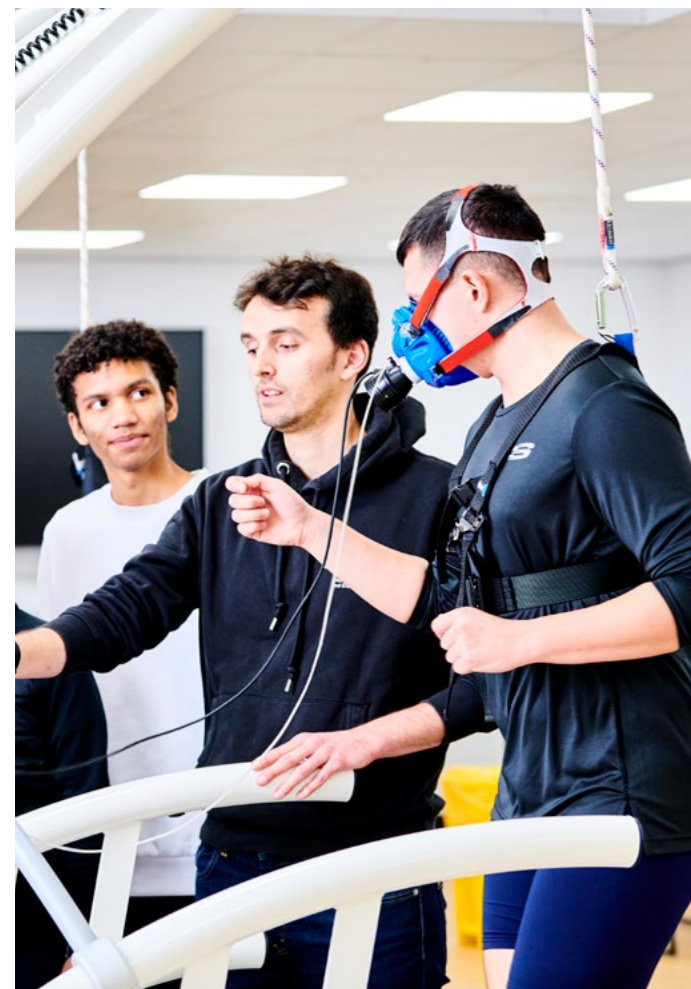


Future plans

Key priorities for 2022/23 include:

- Reviewing the People Strategy to ensure an increased focus on wellbeing, culture, engagement, EDI, reward and performance
- Further digitisation of the HR service to improve processes and inform planning
- Preparing our application for an institutional Athena SWAN Silver award and supporting all departments to gain, at least, a Bronze level award
- Development of a digital competency framework to ensure our staff have the necessary skills and competences for the future
- Engaging constructively with our trade unions at a time of significant uncertainty and possible industrial action.

Strategy performance indicator	2016/17	Current (2021/22)	Target (2026/27)
Percentage of academic campaign offers made to females	37%	50%	Gender parity in academic recruitment campaign



Operational Review

Research and Engagement

Strategic Risk SR1, SR2, SR3, SR4, SR5

Goal

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

What has been achieved

We provide financial, physical and intellectual resources together with training and support to enable our academic staff to conduct boundary-breaking research that advances knowledge and improves lives across the world.

We have ten research institutes that bring staff together to work collaboratively, across departments and with external partners, to develop new ways of thinking about big questions and that contribute positively to societal challenges. We encourage staff to work with external organisations to create new research and commercial opportunities, including through our new business incubator 'Orbit' at the North East Technology Park in County Durham.

The Research Excellence Framework (REF) assesses the quality and output of research across UK universities. A vital element is illustrating the benefits research delivers beyond academia, including how it brings tangible changes to aspects of society and life, and the public value it delivers. The REF is used to inform the allocation of public funding for research and provides a benchmark for research performance. The REF results, published in 2022, showed that overall, 90% of our submissions and 97% of our research environment was rated as

world-leading or internationally excellent. Six of our units were in the top ten for overall research quality:

- Geography – 1st
- Archaeology – 2nd
- Education – 2nd
- Classics and Ancient History – 4th
- Theology and Religion – 8th
- Sport and Exercise Sciences – 10th.

The quality of our submission improved across almost all of the subject areas, with the institutional grade point average increasing from 3.14 (out of 4) in REF2014 to 3.34 in REF2021. More than 1,000 of our staff submitted research in 24 different subject areas, an increase of 44% since the last REF in 2014, demonstrating the depth and breadth of our research. Examples of high-impact research include the Durham Infancy and Sleep Centre (Anthropology), which has revolutionised research into infant sleep safety and helped reduce rates of Sudden Infant Death Syndrome; and climate modelling produced by the Conservation Ecology Group (Biosciences), which is helping to understand how different species adapt to the effects of a changing climate.

The University was granted observer status at COP26, the United Nations Climate Change Conference held in Glasgow in November 2021. The event was attended by a wide range of partners and stakeholders including HE funding bodies, UK government departments, national delegations and commercial organisations. More than a dozen of our researchers, from Law, Geography, Durham Energy Institute

and Institute of Hazard, Risk and Resilience attended to participate in a mixture of networking, public engagement and policy impact activities. Our presence at COP26 enabled us not only to disseminate our research on a world stage but also to meet with partners to enable better coordination of our impact work on climate both for existing and emerging projects. A key legacy of COP26 has been the establishment of the Centre for Sustainable Development Law and Policy aimed at building an interdisciplinary hub for researchers, policy makers and businesses. We are now working towards engagement at COP27 in Egypt in November 2023.

We continue to invest and support our staff to continue their pioneering research activities, cognisant of the complex external challenges facing research across the UK HE sector. At the start of the year, the country was still emerging from lockdowns caused by the Covid-19 pandemic and travel

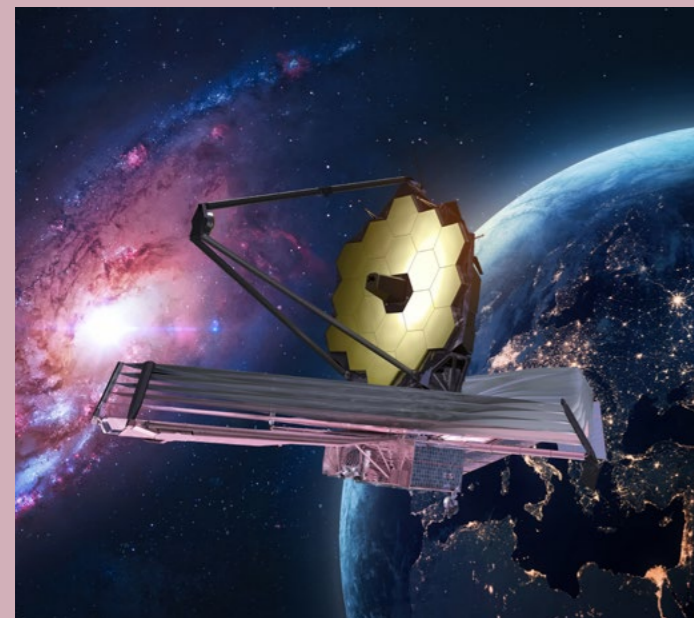
restrictions hampering research visits to many parts of the world. The spending Review in October 2021, promised real-term growth in government spending on research and development and the commitment to 'levelling up' augured well for increased investment in the North East. The year ended on a much less positive note for research, with war in Ukraine fracturing Europe, pressures on research costs from inflation and the fall in sterling, growing restrictions on research in China, association with Horizon Europe interminably mired in the politics of Northern Ireland, and government instability engendering uncertainty about the future direction of policy and funding.

Research highlights

Here are a few examples of research projects being conducted at Durham, which are expanding knowledge, improving lives and responding to society's challenges.

James Webb Space Telescope

Our staff helped to develop and engineer the James Webb Space Telescope, the replacement for the Hubble Space Telescope and the largest, most powerful space telescope ever built. The first pictures from the telescope were released in July 2022 and are the deepest and sharpest infrared images of distant universes ever taken. Working with NASA's Jet Propulsion Laboratory, researchers at Durham are using the telescope as part of their research on dark matter and early galaxy formation.



2 ZERO HUNGER



Futureproofing crops against climate change (Ari Sadanandom, Biosciences)

Plant survival relies on their ability to adapt to the environment, which is partly dependent on a quick and reversible process that modifies proteins using a regulator called SUMO (small ubiquitin-like modifier).

Researchers at Durham, working with partners, have already shown how modifying key proteins can help plants survive and flourish in harsh environments and are now looking to understand what triggers SUMO and how it helps plants to adapt their behaviour based on their environment. By understanding the SUMO 'code', the team hope to help to develop crops that are futureproofed against climate change and crop production shortages.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION (Clare Mahon, Chemistry)

Working in partnership with Procter and Gamble, this project aims to transform the performance and environmental footprint of cleaning materials of textiles and hard surfaces by replacing current technologies

with biodegradable alternatives. This project is delivering sustainably sourced polymers capable of high levels of functionality within laundry and fabric care products to replace synthetic polymer additives that persist in the environment over long timescales. The project is also developing new models and tools to assess and predict the biodegradability of new and existing materials, streamlining the process of incorporating high-performance biodegradable additives within consumer products.



13 CLIMATE ACTION (Chris Stokes, Geography)

A new study led by staff in our Geography Department shows that the worst effects of global warming on the East Antarctic Ice Sheet (EAIS) could be avoided if

temperatures do not rise by more than 2°C above pre-industrial levels. Researchers studied the EAIS, which holds

most of the Earth's glacier ice, simulating the effects of different greenhouse gas emission levels and analysing how the ice sheet might contribute to sea levels in varying scenarios. A key conclusion from the findings was that global temperature increases should be restricted to below 2°C to avoid worst-case scenarios and limiting the impact of the EAIS melting on sea levels.



5 GENDER EQUALITY Urging music festivals to do more to tackle sexual violence (Hannah Bows, Law)

A study led by staff at Durham Law School found that the combination of size, layout, attitude and behaviours at festivals can make these events conducive to sexual violence.

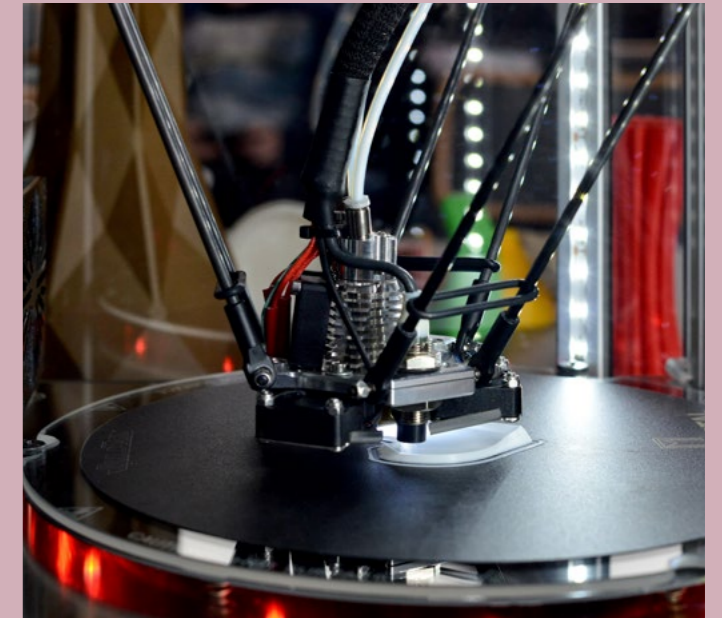
This study followed a survey in 2018 by the same research team that showed a third of women had been sexually harassed at a festival and eight per cent had been sexually assaulted. The researchers are now calling on festival organisers and local authorities to make a real commitment to tackling sexual misconduct and violence and to take it as seriously as other health, safety and environmental issues when organising their events.



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE How 3D printing could improve spare part supply chains (Atanu Chaudhuri, Business School)

Predicting the need for and supplying spare parts can be challenging for manufacturers. This often leads to unsustainable, expensive contingency plans to counteract uncertainty

with many companies keeping large quantities of spare parts around the world. This research study shows that 3D printing holds the potential to tackle this challenge. The



technology can be used to assist production of spare parts for manufacturers across multiple sectors, reducing customer wait times and shortening the supply chain, it can lower costs without compromising quality. The findings are being shared with manufacturers keen to adopt the recommendations.

Prize winning book

Dr Tom Stammers, a cultural historian of France in the long nineteenth century, was awarded the Royal Historical Society's Gladstone Prize 2021. His book *The Purchase of the Past: Collecting Culture in Post-Revolutionary Paris*, explores the politics of collecting, the art market and cultural heritage in nineteenth-century France. The Prize is awarded to authors of their first book for works on non-British history.

Future plans

To address the external challenges, we will seek to strengthen our partnerships with business and non-governmental organisations, diversify our sources of research funding, strengthen training for research leadership among our staff and develop new ways of generating value from the knowledge we create.

We will launch a Strategic Research Fund to enable significant investments in research areas where we have the potential to be internationally leading and to bring in external funding to sustain that investment in the longer term.

We will invest in additional research support to help our academic staff to navigate the requirements of funders and to submit more grant applications with a higher chance of success.

We will reflect on our research culture and remove barriers to make our research community more inclusive and to enable all those engaged in the research process to realise their potential for world-leading research and engagement.

Strategy performance indicators	Base year	Current	Target (2026/27)
Citations per academic staff member (QS rankings)	3rd in UK (QS rankings) in 2016/17	12th in UK (2023 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)	4 of 24 units of assessment in top third of Russell Group in 2022 (17%)	All units in Russell Group top third
PhD students per academic staff member*	1.57 per core academic FTE in 2015/16	1.40 per core academic FTE in 2020/21	2 per academic FTE

*The academic staff FTE figure excludes those on teaching only contracts who do not generally supervise PhD students. The base year was previously listed at 1.56 as this included all academic staff.

Operational Review Education

4 QUALITY EDUCATION



10 REDUCED INEQUALITIES



Strategic Risk SR1, SR2, SR3, SR4, SR5

Goal

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

What has been achieved

We provide facilities and impart knowledge to deliver to our students a distinctive research-led education to enhance intellectual capabilities, the capacity for independent learning and problem-solving skills. We contribute to the government's agenda on higher education in supporting students to gain the skills they need for future employment or further study and improve equality of opportunity for underrepresented groups to access, succeed in and progress from higher education.

Our Access and Participation Plan reaffirms our commitment to widening participation in higher education, with initiatives aimed at enrolling students from under-represented backgrounds and supporting them while at Durham. We are already seeing evidence of progress through the following criteria. The 2020 figures relate to the admissions cycle for students that joined the University at the start of the 2021/22 academic year and is the latest available data.

	2017	2020
Students from low participation neighbourhoods	9.6:1	5:1
Students from targeted postcodes (Acorn 4 or 5)	13.7%	17.4%
BAME student enrolment	24.99%	29.6%

We aspire to provide our students an education of the highest quality. To fulfil this strategic goal, we must be diverse, equitable and inclusive. Access, student success and progression, and widening participation features strongly in our Strategy and we are working to achieve these goals by:

- Increasing applications from disadvantaged groups through highly targeted outreach activity
- Adopting a holistic approach to assessment of merit and potential, including the use of information about the context of prior achievement
- Ensuring a high degree of academic and non-academic support to all students, but to be targeted towards at-risk cohorts where necessary
- Focussing on employability by offering opportunities to develop key skills and to engage with employers
- Offering financial support packages to target access, success and progression where there is most need
- Using the experience and expertise of our staff and students to inform good practice.

We are improving our use of digital technologies to enhance our teaching provision and have invested in learning designers and digital developers.

Our normal teaching delivery during 2021/22 was impacted by the Covid-19 pandemic for a period, although staff and students were able to adapt quickly. Industrial action added to the disruption and was felt unevenly across and within departments. Where appropriate, mitigations were introduced to enable students to meet their programme learning outcomes.

Our overall student satisfaction rating in the National Student Survey (NSS) 2021/22 is 80%, placing us in the top 25 in the UK and Top 5 in the Russell Group. The NSS is an independent annual survey which gathers undergraduate students' opinions on the quality of their experience at university. We continue to analyse and respond to concerns raised in the survey, including an improved annual quality review for academic departments to enhance the experience for our students across the institution, sharing best practice between departments and learning from other high-performing universities.

We support students to develop their employability skills alongside academic achievements. This aligns with our regulator's mission to ensure that future generations should have equal opportunities to achieve successful and rewarding careers, not limited by their background, location or characteristics. We have been engaging directly with student associations to reinforce our inclusive culture, generate student confidence and enhance engagement with our careers service activities.

During 2021/22, we increased the number of work experience opportunities by 53% compared to the previous year and saw a 78% increase in the number of students opting to complete a placement year and a 136% increase in students being able to undertake international work experience opportunities. While some of these increases may be the result of reduced engagement the previous year due to the Covid-19 pandemic, the number of students now undertaking a placement has more than doubled over the last four years.

Some of our new initiatives introduced during 2021/22 include:

- Internships to support businesses to meet the SDGs
- Short-term work experience opportunities in business development at SMEs in County Durham
- An innovative work experience programme for autistic students
- Support for students to obtain global internships
- A pilot to support University departments to recruit students into short or part-time internship roles
- More online and interactive careers information and tools
- A job search platform aimed at international students looking to find employment in the UK after graduating
- Opening the Hazan Venture Lab, a co-working space for aspiring entrepreneurs.



Case study Research-led Education

In October 2021, almost 100 of our Biosciences undergraduate students joined forces with some of our leading academics and colleagues from Northumbria and Liverpool Universities. They identified two defence systems that protect bacteria from viruses in ground-breaking research and which could have further uses for mapping changes in human DNA.

After collecting and isolating bacteriophages (viruses that infect bacteria) from the River Wear, college ponds and other Durham waterways, students tested them against E.coli bacteria to check the strength of the E.coli defence systems in providing protection against the viruses.

They discovered two defence systems that worked in tandem to form a protective response. One system in particular (called BrxU) allowed the E.coli to protect itself from bacteriophages that had chemically altered their DNA.

The researchers identified BrxU as having strong potential as a useful biotechnological tool, since the DNA changes in the bacteriophages that prompted this response can also be found in human DNA. BrxU could therefore be investigated further to map changes in human DNA, providing insights into ageing or diseases, like cancer.



We have responded to requests from employers to revise the way they engage with universities to reduce costs and improve their sustainability agenda. This has led to us hosting several focus weeks, aligned to different career options, inviting employers and guest speakers to take part, both online and face-to-face, in a range of skills sessions, presentations and panel events. The events provided a more sustainable, cheaper and accessible careers education that was welcomed by students.

The Higher Education Statistics Agency (HESA) asks all graduates to complete the Graduate Outcomes survey 15 months after finishing their studies. The most recent figures showed that 91.2% of all Durham's UK/EU leavers in 2020 were in employment and/or further study compared to 89.1% for 2018/19 leavers. Only 4.3% stated they were unemployed, including those due to start work or study, compared to 5.8% the previous year. In the Times 2022 Good University Guide, we achieved a rank of 10th in terms of graduate prospects/employability with a score of 84.5%. These positive figures indicate a lack of impact on graduate recruitment as a result of the Covid-19 pandemic.

Strategy performance indicators	2016/17	Current (2021/22)	Target (2026/27)
Performance in the National Student Survey	2nd decile in the UK for overall satisfaction with course	2nd decile, placed 23rd of 124 non-specialist HEIs for overall satisfaction	Top decile overall in the UK
Proportion of Durham students working or studying abroad as part of their degrees	12%	9% (negatively impacted by Covid-19)	25%

Future plans

We have set out in our Access and Participation Plan 2020-25 (approved by the Office for Students), the following key aims and objectives:

- To increase the number of students from low participation neighbourhoods and in doing so close the gap at Durham between the most represented and the least represented
- To increase by 100, the number of students from the UK black community
- To decrease the gap in degree outcomes (1sts or 2:1s) between disabled and non-disabled students
- To ensure equality of success and reduce the discrepancy in continuation and achievement between mature students and other groups
- To increase to 9% the number of care leavers in the North East progressing to HE.



Operational Review

Wider Student Experience

Strategic Risk SR1, SR2, SR3, SR4, SR5



Goals

- Open up the Wider Student Experience (WSE) so it is equally accessible, relevant and rewarding for all students
- Embed responsibility and respect throughout University life
- Enhance student enrichment so that our students can achieve transformational graduate outcomes
- Optimise student support and wellbeing so that we provide support seamlessly through partnership working across the institution
- Raise our reputation and profile as an institution with a unique focus on enriching Wider Student Experience that delivers transformational personal growth for students
- Upgrade the foundations of the Wider Student Experience, including the Colleges themselves and a range of facilities
- Gather evidence on the Wider Student Experience so that we can measure and demonstrate our progress.

What has been achieved

We provide buildings, facilities and social communities to deliver student enrichment and personal development through intellectual, cultural, social, outreach and competitive opportunities. We invest in our students to equip them with enhanced life skills and broader perspectives to complement their world-class degree, so that they are able to make a positive and purposeful difference in an ever-changing and challenging world.

Our student retention rates are markedly and consistently better than at most other UK universities, which we believe is due, in part, to the wider student experience we provide. Almost 90% of our students take part in extra-curricular life across all parts of the University.

All our students become members of one of our colleges, which provide a sense of community that is distinctive to Durham, supporting retention and a life-long connection. Colleges bring together students and staff from across our academic departments to form a unique community. Most students live

Case study

Creating an Integrated Student Experience Programme

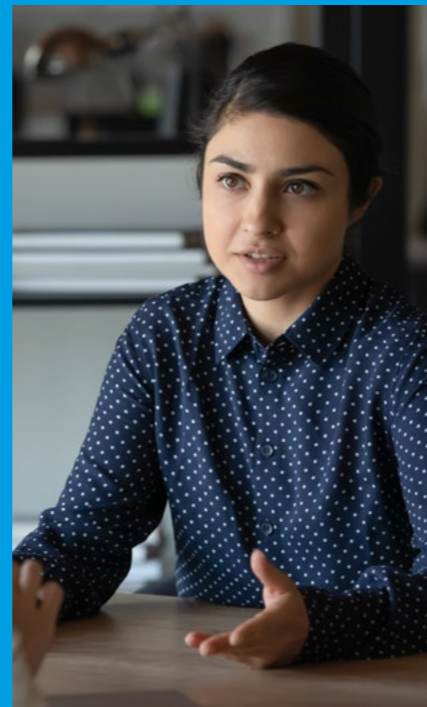
Student support needs are ever increasing in volume and complexity. We have, therefore, substantially invested in our student support services, with the implementation of a major programme in this area.

The Creating an Integrated Student Experience programme (CISE) has been developed to join up our different student support functions and enable seamless partnership working to improve students' experience across the University.

To understand this sector better, set best practice and ultimately establish the CISE programme, the project team consulted extensively

with student support teams from across the organisation, and visited numerous peer institutions.

As a result, CISE will see the recruitment of 31 new full-time posts and the introduction of a new, dedicated IT system to provide important support, capacity and infrastructure. The new roles will have student support at their core and will be introduced in colleges and academic departments. Specialist services, such as Counselling and Mental Health, will also be increased. Finally, a central team will coordinate policy and practice across the University.



in college during their first year and remain a member of their college for life. Each college has dedicated staff and student volunteers to provide support and advice. Colleges provide a place to form lasting friendships and develop teamwork and leadership skills with opportunities to join numerous societies, events and associations.

A wide range of student-led activities spanning the University's seven domains of enrichment participation are also available at university level. From sports and physical activity, arts and culture, volunteering and wider community engagement, intellectual enquiry, active citizenship and community building to, enterprise and employment – the opportunities are far reaching. We provide bursaries to assist students to participate in enrichment activities and are monitoring engagement by key characteristics to target support in order to facilitate our inclusive agenda.

In addition, the Durham Inspired Award, which continues to be developed and trialled following a two year pause due to Covid-19, will encourage students to focus on their personal development and enrichment through undertaking activities that promote the accelerated development of key graduate skills.

Until the end of February 2022, elements of the Wider Student Experience were still hampered by the Covid-19 pandemic. This did impact upon levels of participation and engagement and the volume and breadth of activities available. Easter Term, however, witnessed a return to pre-pandemic levels of student engagement in extra-curricular activity, confirmed by a survey in Summer 2022 showing that almost 90% of students had participated for at least one hour a week, and nearly half for six hours or more per week.

Examples of our Wider Student Experience during 2021/22:

- Durham University was named Sports University of the Year in the Times and Sunday Times Good University Guide 2023
- Durham Students performed in a record number of productions at the 2022 Edinburgh Fringe, 14 in total
- Stephenson College launched the Community Connections programme, enabling Stephenson students to explore and connect with the local community around them
- Trevelyan College hosted its annual Trevelyan Research Prize. Participants are asked to share their research with a non-expert audience, and the competition provides a valuable opportunity for postgraduate students to develop their communication and presentation skills
- In May, cohort members of the first Durham Venture School programme headed out to Silicon Valley and Los Angeles. The visit aimed to inspire the group and extend their personal networks by introducing them to successful entrepreneurs and industry leaders from our alumni community based in California
- In June 2022, Collingwood College held its annual charity fashion show, which raised a staggering £30,460 for Durham City of Sanctuary.

Future plans

- Procure and implement a Student Relationship Management system to support new structures and processes for student support
- In 2022/23 we will trial two prospective versions of the Durham Inspired Award in Trevelyan, Stephenson and Hatfield Colleges and through Student Volunteering
- We will implement Durham On Demand, a bespoke software solution to enable the Wider Student Experience online
- A Task and Finish Group will work to understand and overcome barriers to participation among specific groups of students
- A coordinated campaign will promote volunteering to students and staff across the University to assist in building back to, and surpassing, pre-Covid levels of participation.

Strategy performance indicators	2016/17	Current (2021/22)	Target (2026/27)
Staff and student volunteering hours	31,500	25,000 (negatively impacted by Covid-19)	100,000 per annum
Proportion of students gaining the Durham Inspired Award	n/a under development	n/a under development as paused due to Covid-19	75%



Operational Review

Global Durham

Strategic Risk SR1, SR2, SR3



Goal

To position Durham as a globally networked university that is widely recognised as an outstanding place to study and work and a significant contributor to international research and engagement agendas as well as a source of future global citizens and leaders.

What has been achieved

We cultivate international recruitment, partnerships and networks to share knowledge, increase our global presence, reputation and impact, and generate revenue to support the sustainability of our institution.

Through building lifelong relationships with our alumni across the globe, we strengthen our international relationships, support graduate employability and encourage future recruitment of international staff and students.

We have weathered the challenges of the global pandemic well; we have continued to support students to engage in international experiences, grown international student numbers and developed our portfolio of international partners.

In 2022 we were delighted that a record number of our subjects were ranked in the world top 50 in the highly prestigious QS World University Rankings by subject. The QS rankings assessed over 17,700 subjects globally and Durham has an astonishing 12 subjects ranked in the world top 50 and 19 in the world top 100. This defines the extraordinary standard of our teaching and learning and the high employability prospects of our graduates. Our best performing departments are:

- Theology and Religion - 7 (3 in the UK)
- Archaeology - 8
- Classics and Ancient History - 13
- Geography - 15
- Anthropology - 29

During 2021/22, 28% of our students were from outside the UK. Despite the significant continued headwinds of the pandemic, we registered 6,242 international students representing a rise of 58% since 2016/17. We are increasing the recruitment of international students to enrich the student experience through diversity. Our International Study Centre (ISC) offers pathway programmes for international students with an estimated 24% of new international undergraduate students and 10% of new international postgraduate taught students enrolling in Durham through the ISC.



Our international networks remain active and productive. This year saw the launch of our first joint seedcorn competition with the University of Notre Dame, USA. Successful joint projects were funded in the areas of climate change and impacts on Arctic forests and tundra, energy technologies and energy use, including a project on how architectural technologies of the past can contribute to creating energy efficient and climate-enhancing structures of the future.

The Durham-Uppsala partnership dates back many years and builds upon longstanding student mobility flows, research collaborations as well as shared membership of the Matariki and Coimbra Group international networks. We were pleased to launch again a joint seedcorn competition with Uppsala University, Sweden, whereby 14 collaborative research projects were funded, including a project linking highly complementary researchers from both institutions to develop new knowledge and understanding of global energy systems and the drivers and consequences of low carbon energy transition.

RENKEI is a partnership encouraging academics at universities in Japan and the UK to work together on research in climate change and health. We are engaged in the 10th anniversary research programme to build capacity amongst members' early career researchers around the theme of climate adaptation and resilience. The programme includes virtual mentorship and an in-person winter school to be held at Kyoto University, Japan later this year.

Case study

Agreement of Cultural, Educational and Scientific Cooperation

In November 2021, our Department of Archaeology and that of the Indian Institute of Technology Gandhinagar (IITGN) came together to sign an Agreement of Cultural, Educational and Scientific Cooperation.

In a virtual seminar to celebrate the occasion, both Departments presented on the theme of 'Understanding the challenges of world heritage sites and the role of Archaeology in the global context'. The programme started with the live signing of a Memorandum of Understanding, which pledged to continue developing research connections and delivering in-person training to students and professionals around heritage documentation, presentation and protection. This was followed by a series of speakers from both Departments of Archaeology, exploring a range of topics from the challenges of UNESCO World Heritage status, to the role of Archaeology in post-disaster heritage responses.

This mutually beneficial partnership will cement further strong academic and professional partnerships between Durham and IITGN. It will also see the development of a range of collaborations, including with the Indian Government and Heritage Organisations.

Our Vice-Chancellor took over as Chair of the Matariki Network of Universities in spring 2022 and led on the strategic review of Matariki to refine the aims of the network in a changed global HE environment.

In October 2021, we launched the Durham Global Alliance. The alliance brings together the University, Durham County Council, schools, FE providers and representative bodies from arts, culture, sports, charitable and voluntary sectors and industry, with a history of working in collaboration on international activities to bring our communities together and provide opportunities to enhance the lives of our young people. The alliance will develop a programme of activities to offer every child and young person in our communities, whatever their background or interests, the opportunity to learn from – and connect with – other people in the UK and around the world.

We have firmly established our offices in London, Beijing and Shanghai. We are currently working with partners to expand our global offices to North America and South East Asia.

In April 2021, we established a new overseas office in India. Since opening, we have seen growth in Indian student enrolments of 113%, academics have been supported to secure additional research income and co-publications have increased by 10%. The office has seen several notable successes, these include:

- Development of a joint virtual centre for the training of teachers in mathematics and science with IISER Pune
- Development of a partnership with Amrita Vishwa Vidyapeetam that has secured significant funding from the UK-India Foundation Industries Sustainable Thermal Energy Management Collaboration and for the development of Joint India-UK Learning and Teaching Programmes
- Agreement to develop a 1+1 programme in Plant Biotechnology to begin in autumn 2023.

We are looking forward to building on our early successes expanding the depth and breadth of our institutional collaborations and welcoming growing numbers of Indian students to Durham.

Future plans

In line with our Strategy refresh and in response to external challenges, we aim to increase the number of postgraduate taught programmes that appeal to an international market.

During 2022/23 we shall assess our response to the SDGs, working with colleagues across the University, particularly in Estates and Facilities to identify and focus activities where we can make a positive impact. Activities are likely to focus on actions to reduce our own environmental impact and the delivery of research and skills to address the challenges caused by climate change and the global economic crisis.

We will develop our global community of alumni through our network of global offices and by developing new engagement opportunities in student recruitment, employability, advocacy and philanthropy.

Strategy performance indicators	2016/17	Current (2021/22)	Target (2026/27)
Proportion of international (non-UK) students	29%	32.1%	39%
Percentage of eligible subject areas in QS World Top 50	33% or 8 of 24 relevant subjects	37% (13 of 35 relevant subjects)	50%
Contactable alumni	129,623	168,304 (September 2022)	185,000



Operational Review

Accommodation, Estates and Infrastructure



Strategic Risk SR4, SR5

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

Our estate, set in a unique and historic environment, is arguably one of the most complex and architecturally important of any university in the UK. Evolving over almost 200 years, it includes many old, converted and listed buildings as well as new purpose-built accommodation. With our Estates Masterplan, we are making significant investment in both refurbishment, ongoing maintenance and new buildings, to ensure our estate will provide the best teaching, research, work and living environment for our staff, students and visitors.

Durham is a small city which limits the opportunities for the University to expand beyond its current footprint. We have set a maximum target for the number of students resident in Durham, cognisant of our impact on the local community. At the same time, we are investing in our estate, to improve the condition of all buildings, adapting to the current and planned increase in overall student numbers, responding to a new hybrid way of working and aligning with our aim to reduce our impact on the environment.

Progress with the Estates Masterplan was impacted by the Covid-19 pandemic, with delays and adjustments to the timetable during 2020 and 2021. The construction industry is now facing limitations on access to resources and materials and increasing costs. We will closely monitor the impact on our plans over the next few years.

We have undertaken condition surveys across the residential estate and identified priority areas for the planned maintenance and refurbishment programme and are continuing with fire safety infrastructure works to maintain compliance with current fire regulations.

As part of our investment in staff and facilities, and to support our space management requirements, we have been negotiating the purchase of Boldon House (not completed prior to 31 July 2022). The property is a standalone, three-storey, self-contained building in Pity Me, just outside Durham city centre. We are planning, in consultation with staff, to transform this 1990s building into a modern satellite office for some of our professional services.

We have also been negotiating with Durham County Council to purchase newly built office space in Durham city centre, The Sands, to create a new home for our Business School. The relocation will enable the Business School to continue to thrive, increasing student and staff numbers, support inter-disciplinary research opportunities and enhance engagement with industrial partners.

During 2021/22, we commenced a four-year project to upgrade existing buildings to new Building Management System software and hardware. This will align with the software installed in our newest buildings and will:

- Support the delivery of a positive experience for students and staff, via the control of thermal comfort of the environment in which they operate
- Demonstrate a commitment to sustainable development and carbon reduction, by ensuring the new systems provide improved energy performance and reduced carbon utilised in the heating, cooling and hot water provision
- Contribute towards our financial position by ensuring energy costs are kept to a minimum while still providing suitable environmental conditions for staff and students.

We were delighted to receive external recognition for the innovation and quality of our new buildings.

- The Mount Oswald Residential Development won Project of the Year, Offsite Project of the Year and Social Value Project of the Year at the Constructing Excellence North East Awards 2021.
- The Mathematical Sciences and Computer Science Building was a regional winner at the LABC Building Excellence Awards in the category of Non-residential – Best New Build.

As a world-leading institution, with ambitious plans, it is vitally important that we underpin our work and study with the appropriate digital tools and technology. Our Digital Strategy, launched in February 2021, provides an ambitious programme of change, backed by a £53m five-year investment plan, that will allow us to offer a digital environment that enables and empowers people towards the extraordinary. The Strategy aims to embrace the opportunities afforded by digital technology, to support hybrid working and the growing reliance on digital systems through effective IT investment, related to clearly articulated benefits. We will continue to monitor and refresh the Digital Strategy in line with institutional developments and priorities.

Significant progress was made during 2021/22 to progress our Digital Strategy, addressing end of life legacy systems, improving information provision and supporting innovation. New software has been introduced to enhance teaching, training, research administration, communications, and for payroll and library services. We have installed new equipment in teaching spaces and meeting rooms to support online learning and hybrid working.

We commenced work on the CISE programme, developed in response to student feedback and progressing in consultation with staff and students. The programme will develop a new application and portal infrastructure to provide a seamless and personalised student experience across the entire student lifecycle, with processes and systems that have been designed to support their needs. The new system will join up student support between academic departments, colleges and Professional Services, providing a single source of student information in one place.

We are also investing in new software to transform the finance and procurement function to ensure that it can support revenue growth while providing a customer centric and output focused service. The programme aims to improve financial interactions for students, alumni, staff and suppliers, provide improved reporting to support budget management and planning, implement more efficient processes and increase staff analytical and digital competencies.

In December 2021, we published our Information and Cyber Security Strategy, confirming our role as a trusted custodian of data by staff, students, partners and the public. Cyber security requires appropriate controls to protect data and operations from the consequences of cyber-attacks and information breaches, while minimising constraints on the individual ways of working that enable world-class teaching and research. Alongside controls to protect the University environment, it also provides a framework to identify risks, detect an actual or potential compromise, respond to a security event and recover. To support this work, we are implementing new IT standards and controls, providing information security awareness training to staff and students and improving our systems maintenance.



Future plans

Over the next few years, we will be remodelling the University's spaces and estate. This will enable us to respond to new working practices and the future requirements of our staff and students. Some of our offices and study spaces are dated and will be remodelled and improved to provide suitable spaces for work and study. Other departments have grown significantly or will require additional space in the next few years.

During 2022/23, we are planning to:

- Complete the acquisition of Boldon House (August 2022) and The Sands (October 2022) and begin refurbishment
- Continue our programme to refurbish student residential accommodation in the colleges
- Consider options for the development of the Leazes Road site
- Develop a business case to upgrade the laboratories in the Department of Chemistry
- Continue to monitor cyber security threats and address the risks that are most relevant to the University
- Continue work on the CISE programme
- Continue work to develop new software to enhance the finance and procurement function.

Strategy performance indicators	2015/16	Current (2020/21)**	Target (2026/27)
Proportion of residential buildings in Categories A and B*	52.2%	65%	75%
Proportion of non-residential buildings in Categories A and B*	52.2%	72.5%	75%

***HESA Categories A and B = high standard*

This indicator was revised in 2020/21 to separate residential and non-residential buildings to match reporting to HESA. The target was also reduced from 85% to reflect more accurately what can be achieved across the range of the buildings making up the estate.

**These are the latest available figures and were reported in the most recent HESA return (July 2022). The performance indicators for the condition of the estate continue to be monitored.

Operational Review Environmental Impact



Strategic Risk SR3, SR4



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

What has been achieved

We are committed to reducing our environmental impact and improving the local environment for our staff, students and wider community. This commitment is reflected in our policies, plans and procedures which seek to make the most effective and efficient use of our resources, encouraging all members of our community to develop an ecologically sound approach to their work and lifestyle.

During 2021/22, we improved our performance in the People and Planet University Green League, from a Third-class result (96) to an Upper Second class (30), which resulted in us winning the Most Improved University award. We have since developed a plan to obtain a First-class result.

We have produced an updated Sustainability Action Plan using the Climate Action Toolkit from EAUC, the Alliance for Sustainability Leadership in Education, to improve our performance in a range of strategic areas including: carbon emissions; energy, leadership and governance; research; construction and buildings; travel; waste; and water.

Over 800 users (staff, students and alumni) have signed up to the My Greenspace App, to record and promote sustainable activities. The app has logged 24,021 actions, saved 72,110 kWh of electricity and avoided 38,463kg of CO₂, that's equivalent to ten flights from London to Sydney.

Our second annual Greenspace Festival was held at Collingwood College in June involving a range of student groups, researchers, sustainable businesses and charities. Attendees got the chance to visit over 30 stalls, from sustainable food start-up Sustain Meals, and the Ugly Fruit Group, to Climate Action North-East and Durham County Council's Low Carbon Economy Team. The event began with Grey College collecting the Sustainability Varsity Trophy, and included a range of talks, covering everything from heat pump installations in social housing towers, to how to kickstart a career in sustainability and concluded with a Carbon Management Workshop.



Our annual Green Move Out scheme delivered another successful year. At the end of July, students had filled 1,404 purple bags with donations weighing over 9.1 tonnes. Student's generosity will help charities across our region.

Our work on environmental sustainability received external recognition through:

- Maintaining our Eco Campus Platinum Award for our Environmental Management System
- Certified Fairtrade University Award to June 2024
- Achieved the Sustainable Restaurant Association's Food Made Good Award
- Gained the Silver Accreditation from the Hedgehog Preservation Society.

We were also finalists for the Environmental Association for Universities and Colleges (EAUC) Green Gown Awards, in the category of Student Engagement, for our Greenspace Movement - together we can make a difference.

While our carbon footprint has shown a downward trend to 2021, we anticipate our footprint will increase again in the next academic year due to international staff travel returning to pre-pandemic levels and an increase in energy consumption as a result of additional heating, ventilations and air-conditioning systems required to maintain a Covid-secure environment on campus.

Future plans

During 2022/23 we are planning a number of initiatives:

- The launch of our ambitious new Biodiversity Strategy, which will target 'biodiversity net-gain' on our estate
- Developing a new Net-Zero strategy for the University, with some very exciting projects that will reduce our carbon footprint
- Continuing with the development of the Greenspace Movement, recruiting more people to the My Greenspace App and running our annual My Greenspace Festival in 2023.

We shall consider further opportunities to enhance our environmental sustainability including:

- Developing a more effective and efficient use of the teaching estate to help reduce carbon emissions and energy consumption

- Embedding sustainability across our education offering and research activities
- Focussing on sustainability standards in the development of capital buildings and major refurbishment
- Further reducing consumption of single use plastics
- Assessment of our impact on the UN SDGs, related to the environment.

Energy and Carbon Usage

The University is reporting under this voluntary disclosure for the first time and has taken advantage of the exemption this year with regard to reporting prior year comparisons.

Regarding our Scope 1 and 2 emissions, gas and electricity consumption is related to the operation of our estate, with over 300 buildings. Our oldest properties are located on the Peninsula, and include a Norman Castle, while our newest include the recently opened Mathematical Sciences and Computer Science Building, which is rated BREEAM Excellent.

On our non-residential estate we operate several energy intensive activities, including high-performance computers and research laboratories. On our residential estate we operate 17 colleges, which are home to around 6,500 students during term time.

The Scope 3 emissions we report are primarily related to staff business travel, and we have seen an increase since the Covid-19 lockdowns. Other areas of Scope 3 emissions are related to waste generated on campus and water used across our estate.

UK GHG Emissions and energy use data for year ending 31 July 2022

2021/22

Data used to calculate Scope 1 and 2 emissions:

Gas (kWh)	71,751,755
Electricity (kWh)	39,471,456
F-Gases (kg)	269
Fuel (litres)	31,689
Owned Transport Distance Travelled (km)	215,946

Data used to calculate Scope 3 emissions:

Domestic Air Travel (passenger.km)	246,859
Short Haul Air Travel (passenger.km)	1,142,880
Long Haul Air Travel (passenger.km)	5,683,163
Employee Own Car Mileage (km)	301,390
Rail Travel (km)	934,379
Waste (tonnes)	1,954
Water (m ³)	356,219

Scope 1 emissions (tCO₂e)

Gas Consumption	14,513
Owned Transport	59
Fuel	44
F-Gas	560

Total Scope 1 emissions (tCO₂e)

15,176

Scope 2 emissions (tCO₂e)

Purchased Electricity	7,633
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Scope 3 emissions (tCO₂e)

Business Travel:	
Domestic Air Travel	61
Short Haul Air Travel	173
Long Haul Air Travel	840
Rail Travel	33
Employee Own Car Mileage	51
Waste	35
Water (supply and treatment)	150

Total Scope 3 (tCO₂e)

1,343

Total gross emissions in metric tonnes (tCO₂e)

24,152

Intensity Ratio Tonnes CO₂e per unit

1.09

Quantification and Reporting Methodology - We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2022 UK Government's Conversion Factors for Company Reporting.

Intensity Measurement - The chosen intensity measurement ratio is total gross emission in metric tonnes CO₂e per student as being the most relevant measure.





Operational Review

Public Benefit

Framework

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

The University conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability,

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

As a university, our key public benefit role is in providing an education, developing and sharing knowledge and research outcomes for the benefit of individual students, staff and the wider public. Our achievements in these areas are outlined elsewhere in this report.

Supporting our people

Our Health and Wellbeing Strategy 2020/21-2026/27 sets out our vision to create a learning environment and an organisational culture that enhances the health and wellbeing of our community and enables people to be productive and happy at work and study making them more likely to achieve their full potential. The strategy identifies two key themes, mental health and stress, and healthy lifestyles. To facilitate the wellbeing of our staff and students we provide a range of opportunities and services:

- Our Sports and Wellbeing Park at Maiden Castle provides opportunities and facilities for staff and students to engage in physical activity
- Our students have access to dedicated counselling, mental health and disability support services and we provide an Occupational Health Service for staff
- We deliver a proactive wellbeing programme, developed through consultation with students and external specialists, incorporating activities and campaigns which encourage students to maintain a healthy lifestyle including exercise, relaxation, meditation, alcohol and drug awareness, financial wellbeing and nutrition
- Our staff and students have access to participate, and watch, a wide range of performing and visual arts productions, performances and projects and are encouraged to volunteer their time in the local community. Staff are enabled to volunteer up to five days per year within working hours. Such activities are recognised as enhancing wellbeing.

We continue to consult and gather data to identify and respond to specific health needs for groups of staff and students.

Student support

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

- We have a team of trained and experienced practitioners providing a year-round service to support students with their psychological wellbeing, counselling and mental health. Additional support is provided through our college staff, academic advisors, mentors, chaplains and students
- Our disability service provides specialised advice, guidance and support to prospective and current students
- We deliver a proactive wellbeing programme, developed through consultation with students and external specialists, incorporating activities and campaigns which encourage students to maintain a healthy lifestyle including exercise, relaxation, meditation, alcohol and drug awareness, financial wellbeing and nutrition
- We provide dedicated support for students disclosing incidents of sexual misconduct and violence and run awareness, bystander and disclosure training programmes for staff and students.

Community engagement

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

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

We present a wide variety of lectures, concerts and performances for the public. We are a major partner in city events such as the Durham Book Festival, Durham City Run Festival, Summer in the City Festival, Durham Pride, Durham



3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

17 PARTNERSHIPS FOR THE GOALS





Fringe and the Lumiere light festival. We were a principal partner with Durham County Council on the bid for County Durham to become UK City of Culture 2025. Although unsuccessful, we continue to work closely together on cultural events.

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

We run visitor attractions to welcome individuals and school groups to explore and learn.

- Oriental Museum holds collections of art and archaeology from Northern Africa and Asia.
- Botanic Garden encompasses 10 hectares of beautiful gardens, greenhouses, woodland and a small flock of rare breed sheep.
- Palace Green Library houses University archives and special collections from around the world. The galleries provide space to share our treasures, research and stories from the region.
- Durham Castle, a former fortress and palace with magnificent architecture, artworks, silverware and armour. Outside of term time, it also provides B&B accommodation and a unique wedding venue.

We have a range of online resources, activities and tours centred on our collections that were initially established while venues were closed due to the Covid-19 pandemic and are continuing to support engagement and access with those further afield or unable to come to Durham.

Our sports facilities are open to the public and are home to many local community clubs and teams. In total, over 10,000 community users access the sports facilities each year. We also work with community partners to provide opportunities for adults to access sport and physical activity to increase wellbeing and social inclusion. The sports centre provides a range of fun-filled activities for local children during school holidays. These holiday camps re-started in 2022, after closing for a while due to Covid-19 restrictions, and have now grown beyond pre-pandemic levels due to the new, extended facility provision.

Our staff and students volunteer with local charities and organisations to support the community, through a wide variety of projects including conservation activities, tutoring projects, providing support for the homeless and companionship for elderly people.

Our academic departments run a range of projects with local schools, charities and organisations.

Positive community relations and engagement in the city, county and wider region are a major priority. Through our Community Relations and Engagement Task Force, and sub-groups, we work in partnership with residents, students, local businesses and resident organisations to build strong relationships for mutual benefit.

Economic impact

We are a major employer in the region, providing jobs at a range of skill levels that are, on average, high-quality and well-paid. Bringing large numbers of students into the city also supports the local economy, attracts inward investment and provides further job opportunities.

A report from BiGGAR Economics, published November 2022, stated that in 2020/21 the University generated £4.80 of economic impact in the UK for every £1 received in income, with £1.9 billion Gross Added Value (GVA) and 17,320 jobs in the UK. These figures include £668m GVA and 10,790 jobs in the North East, of which £489m GVA and 8,710 jobs were in County Durham.

According to a report from London Economics, September 2021, our international students benefit County Durham by £184.6m through use of public services over the duration of their study in the UK. The research considered the economic benefits of international students starting courses in 2018/19, at regional levels across the UK.

In April 2022, we renewed our Memorandum of Understanding with Durham County Council, first signed in 2017, agreeing to work together to raise the national and international profile of County Durham with governments, businesses and others to attract talent, money and businesses, and benefit our county. This commitment will see us continue to work together on economic regeneration and development, cultural events and festivals and use our world-leading research expertise to enhance quality of life for residents.

Value for money

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

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

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

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

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



Freedom of expression

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

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

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

Fundraising

The Charities (Protection and Social Investment) Act 2016 requires charities to state the approach taken in fundraising. We actively seek donations, sponsorship and legacy gifts from individuals, trusts and foundations, commercial and charitable organisations, and government-related funding streams from all around the world to support research, educational and outreach activities consistent with our charitable mission. Past donations have transformed buildings, supported world-leading research and provided a helping hand to students.

We adopt the Association of Fundraising Professionals Code of Ethical Principles and Standards and are registered with the UK Fundraising Regulator. The Development and Alumni Relations Office leads, facilitates and supports donor cultivation and efforts by University colleagues to engender a professional approach to interactions with donors for the protection of the public. Two complaints were received during the year in relation to our telephone campaign and were swiftly actioned.

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



Financial Review

The ongoing implementation of the University Strategy 2017-2027 continued at pace during 2021/22 as the University welcomed an increased number of students onto its campus for the full academic year. The planned investment in staff and infrastructure resumed following a necessary pause during lockdown.

The University outperformed its expectations for the year, with an increase in income of £75.1m. However, due to the latest actuarial adjustment to the value of the Universities Superannuation Scheme (USS) and the agreement of a new deficit funding plan, the University's pension provision was increased by a net £52.9m, with a material increase in USS offset by a gain in the Durham University Pension Scheme (DUPS). Direct expenditure, excluding the £90.6m movement in the USS Scheme, was £442.1m, £62.3m higher than the previous year as the University managed the increased activity levels. The 2021/22 EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) was £16.9m higher than the previous year. The Total Comprehensive Deficit for the year was £28.7m.



Results for 2021/22

The results for the year are described below:

	2021/22 £m	2020/21 £m
Adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and non cash items)¹	81.1	64.2
Interest payable	(10.8)	(11.7)
EBD (earnings before depreciation)	70.3	52.5
Non-cash items		
Valuation of derivatives ²	12.2	7.0
Pension adjustments – actuarial gain ³	37.2	13.8
Net (Loss) / gain on investments ⁴	(14.1)	12.9
USS Pension provision adjustment ⁵	(90.6)	1.0
Impairment adjustment	(0.5)	(4.9)
Depreciation	(43.2)	(35.9)
Total comprehensive (Deficit) / Income	(28.7)	46.4

1. Adjusted EBITDA is a financial metric that has removed one-off, non-cash and non-recurrent items from EBITDA to show an EBITDA figure for the University that is not distorted by irregular gains or losses in one particular year. This is a non-GAAP measure which does not have a standardised meaning and therefore may not be comparable against other Universities.

2. See Note 21 of the Financial Statements for details of our derivatives. This is a non-cash movement.

3. This is the difference, year on year, of revisions to the estimated value of the DUPS and Aviva scheme assets and liabilities held by the University, it is a non-cash movement.

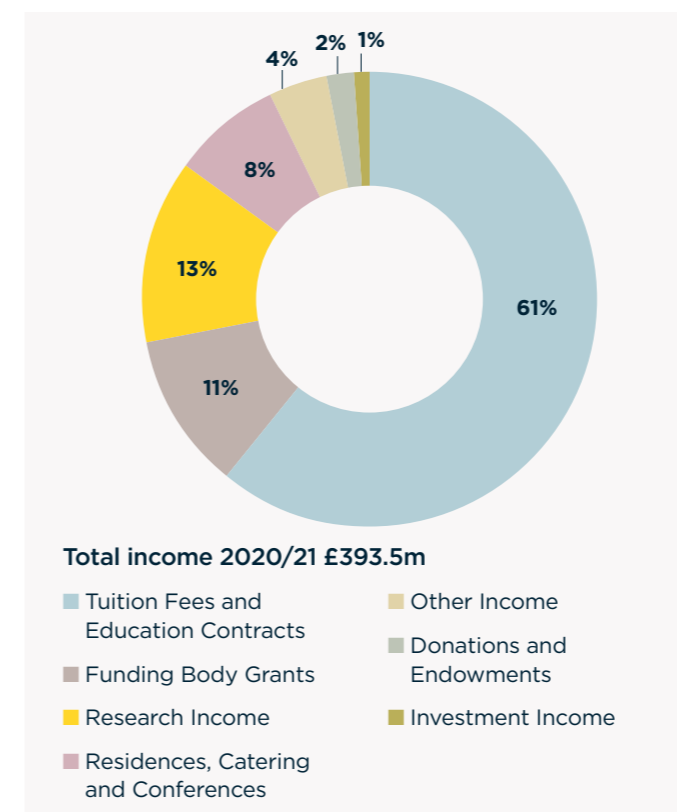
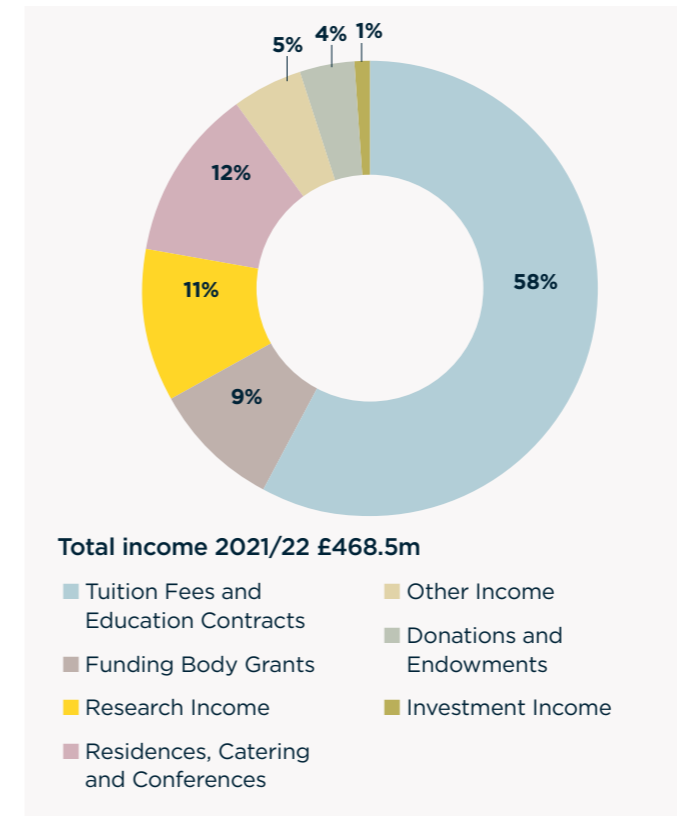
4. An unrealised gain/(loss) which is subject to the volatility of investment movements. It is a non-cash movement.

5. This is the difference, year on year, of revisions to the estimated value of the provision for the USS pension scheme assets and liabilities. It is a non-cash movement.

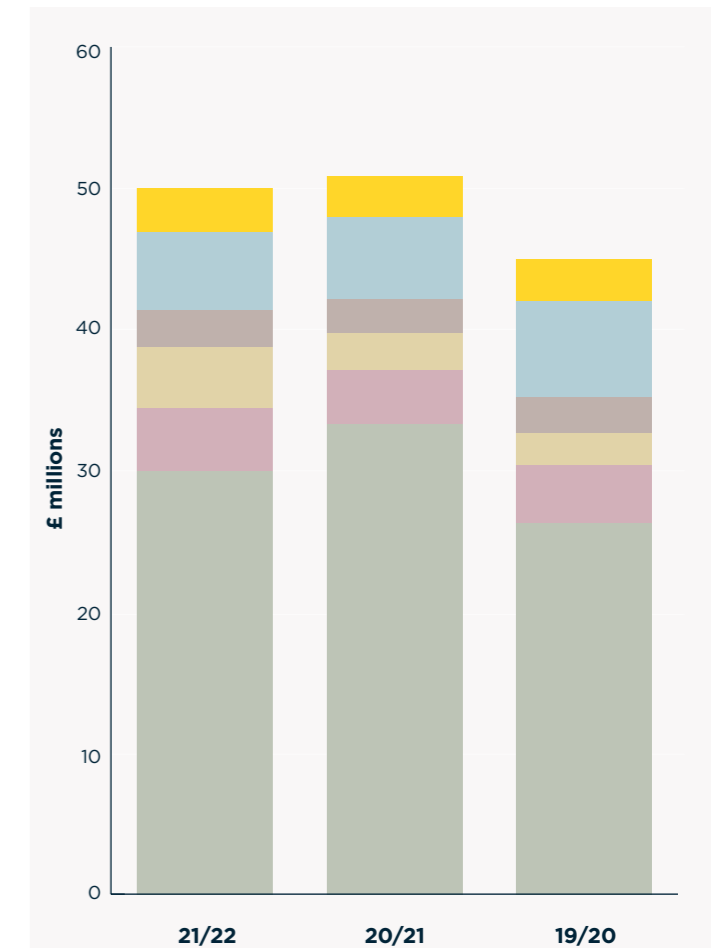
Earnings before Depreciation (EBD) was £17.8m higher than in 2020/21, £68.1m in total and is essential to fund the ongoing capital programme. Adjusted EBITDA and EBD are the primary measures used by the University for forecasting the financial performance during the year and exclude certain items deemed to be 'non-operating' or 'non-cash' in nature which are set out separately above. Total Comprehensive Income has been impacted by valuations of assets and liabilities relating to investments, pension scheme accounting and interest rate swaps. The collective impact of these non-cash items in the current year was unfavourable by £99.0m (2020/21: unfavourable by £6.1m).

Operating income and expenditure

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



Total operating income, increased by 19.1% to £468.5m. Tuition fee income increased by 12.9% to £272.4m representing 59.3% of total income and when residence fees are included, income from students represented 71.6% of total income. The main area of growth in tuition fee income came from full-time international students. Recognised income from work on our research grants decreased by £0.7m in 2020/21, being 11.0% of total income.



Research income sources

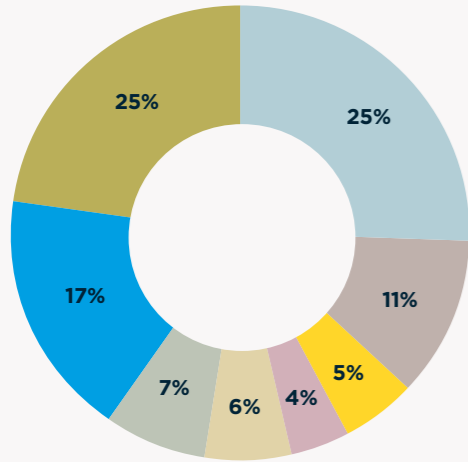
- Other
- UK Government Bodies
- EU Government Bodies
- UK-based Charities
- UK Industry
- UK Research Councils

The value of research grant awards for the last three years are:

Year	Value (£m)
2021-22	50.8
2020-21	57.9
2019-20	61.1

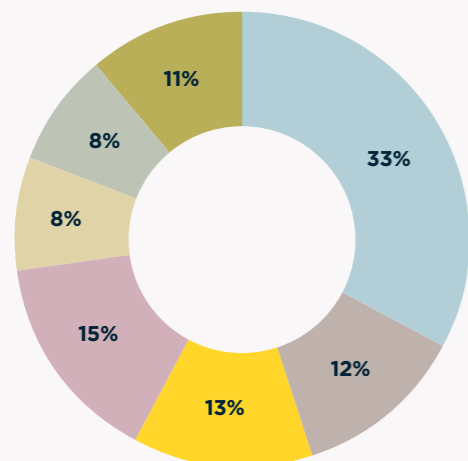
Total operating expenditure, excluding pensions adjustments, increased by 16.4%. Depreciation charges increased by 20.3% reflecting the increased size of the capital estate. Interest payable decreased by 2%. There has been no material change to how operating expenditure is apportioned compared to the prior year.

The expenditure inclusive of pension adjustments can be classified into these categories:



Total expenditure 2021/22 £532.7m

- Academic Departments
- Academic Services
- Administration and Central Services
- Premises
- Residence and Catering (including conferences)
- Research
- USS Pension Adjustment
- Other



Total expenditure 2020/21 £373.8m

- Academic Departments
- Academic Services
- Administration and Central Services
- Premises
- Residence and Catering (including conferences)
- Research
- Other (including USS pension adjustment)

Student Numbers

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

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

Student numbers	2021/22	2020/21	2019/20
Undergraduate			
Home / EU	13,798	12,758	11,892
Overseas	3,447	3,193	2,712
Total	17,245	15,951	14,604
Postgraduate			
Taught home	1,034	1,246	1,017
Taught overseas	2,065	1,207	1,938
Research home	1,032	1,047	997
Research overseas	630	592	557
Total	4,761	4,092	4,509
Distance learning	224	225	254
Total	22,230	20,268	19,367

Balance Sheet

The value of fixed assets was increased with capital expenditure of £51m exceeding the charge for depreciation of £43m. This spend was higher than the amount spent in 2020/21 as the University recommenced the planned investment in its estate which was paused during the Covid-19 pandemic. Included in the £51m spent on buildings and equipment were the following material investments:

Project	Value (£m)
Refurbishment of mathematics and computer science building	6.5
Residential programme of works	5.9
Local exhaust ventilation programme	3.1

Investments decreased overall by net £10.8m due to an appreciation of £0.7m in the value of endowment asset pooled funds offset by a decrease of £11.5m in pooled investment fund assets.

Pension liabilities in respect of USS increased by £87.7m on the balance sheet. The net liability in respect of the Durham University Pension Scheme decreased by £34.8m.

Endowment reserves increased by £1.2m through new donations. The expenditure on existing grants and donations resulted in a net decrease in restricted reserves of £1.6m. General reserves decreased by £33.1m driven by the increased liability for the USS Pension Scheme.



Cash generation, liquidity, financing and covenant compliance

Short term cash deposits

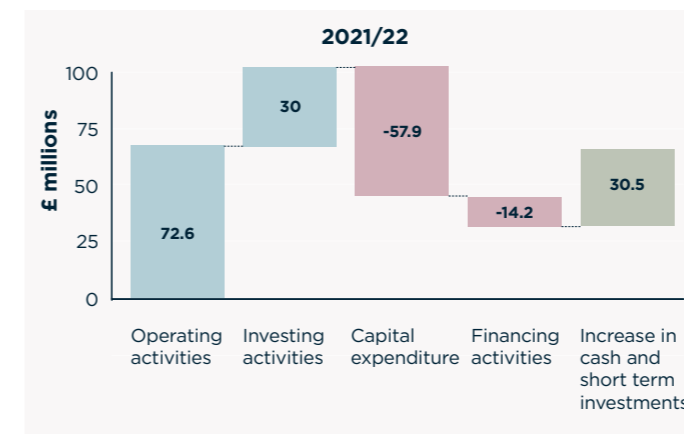
Short term cash deposits decreased in the year by £25.8m to nil at year-end as monies were sent to medium-term investment funds.

Cash balances

Cash balances increased by £30.5m to £83.2m as a result of the need for on-hand cash to fund our activities. The following waterfall charts compare the sources and applications of operating cash generated for 2021/22 and 2020/21.

Debt collection continues to be vigorously pursued, but debts written off in the year were £74,834 (2020/21: £65,440). Debts written off represent approximately 0.02% of turnover.

Total cash and current asset investment balances increased by £4.8m to £83.2m. £82.9m is held in cash with a further £0.3m

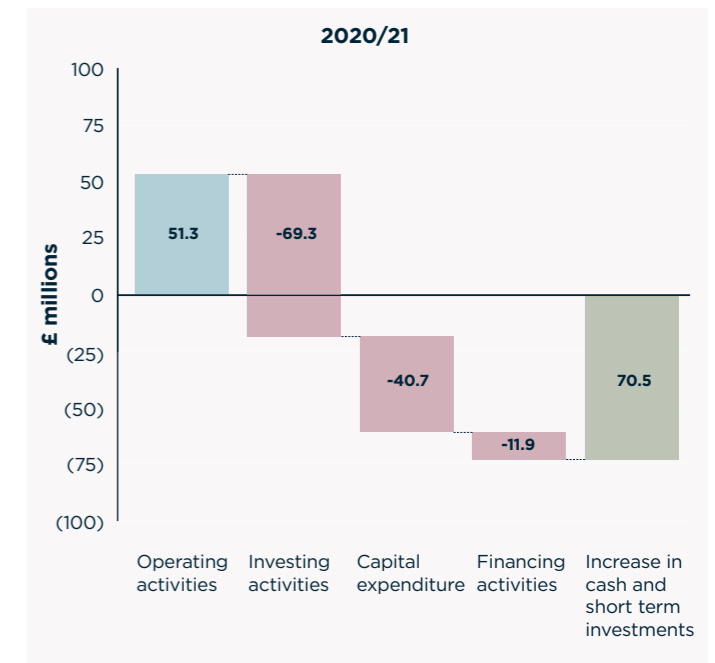


in current asset investments (2020/21: £52.7m was in cash and £25.8m in investments).

Capital expenditure during the year has been funded by grants, internally generated funds, benefactions and existing loan funding. The Revolving Credit Facility remained at £25.0m during 2021/22 to support in-year working capital requirements and has since been increased to £75.0m in 2022/23.

Covenant compliance

There have been no issues during the year with respect to covenant compliance. The University has conducted robust modelling across a horizon of 24 months with respect to its going concern status and is satisfied that the risk of a significant financial impact impacting on its covenant compliance is remote. The Basis of Preparation accounting policy provides further information with respect to the University's going concern considerations.



Monitoring financial performance

The financial strategy performance indicators, by which financial performance is measured, focus on the following:

- Total annual income – to monitor performance against the targets set-out in the ten-year strategy
- Staff costs as a percentage of income – to maintain parity with the sector
- EBD and EBITDA – specifically relating to generation of cash from operating activities, as well as compliance with our financial covenants.

Going Concern

Council has assessed its going concern status over a period of two years to July 2024. In addition, Council reviews and approves three-year financial forecasts, including detailed cash flow forecasts, annually in order to be fully satisfied that it can meet its working capital needs from its forecast cash balances.

The University's latest three-year financial forecast was approved in July 2022 and forms the base case forecast which factored in the key economic assumptions at the time, with inflation anticipated to rise to 10% in 2022/23 before returning to 3.5% in 2023/24. These inflationary activities impact on utilities, food prices and most commodities. Impacts on future performance due to Brexit and the emergence of the UK from the Covid-19 pandemic were also considered.

Since July 2022, and as a result of the continuing and deepening global economic uncertainties of high inflation, rising interest rates, war in Europe and a likely UK economic recession, the University has been required to revisit its base case forecast and conduct a reverse stress test scenario as part of its sensitivity analysis work. The reverse stress test is designed to understand what it would take for the University to breach its contractual covenants and explores plausible scenarios that would cause such a breach to occur. The covenant position forms the main risk to going concern given the University's high level of cash and available resources.

The reverse stress test developed scenarios based on a realistic position and a worst-case outlook for the University based on assumptions made of the global uncertainties. These assumptions included, but were not limited to, a projection of energy usage based on forecast and worst-case positions, impacts of continuing high inflation and interest rates, and falls in both undergraduate and postgraduate student recruitment. The outputs of these tests were then reviewed against the Group's current and projected future net cash/debt and liquidity position. This assessment enabled the University to

understand how it could mitigate against these risks and meet its liabilities as they fall due. The results of this test show that a significant financial impact against the Council-approved financial forecasts must occur before any covenants are breached. Any covenant breach would occur before cash runs out due to the University's significant cash and undrawn debt position; the University's cash position at 31 July 2022 was £83.2m and its non-current investments totalled £264.7m. In addition, since the year-end the University has increased its £25m revolving credit facility to £75m to 2025 to further strengthen its available cash position. The University would also undertake mitigation options, including a slowdown of investments in its infrastructure, expenditure reductions and a holding back of non-essential staffing positions, should the risk of any breach occur.

Financial operating performance in 2021/22, after excluding the increase in the USS deficit funding provision, was strong and the Council, having considered its forecasts together with the sensitivity analysis included within the reverse stress testing exercise, is confident that it will be able to meet all of its future financial obligations and operate within its financial covenants to July 2024 with a firm expectation to continue to do so into the foreseeable future. As a result, these financial statements have been prepared on a going concern basis.

Outlook

The immediate future is likely to be financially difficult for all UK Universities and Durham is no exception to this. The University faces escalating cost-of-operations challenges notably in relation to utilities, catering and estates projects, exacerbated by ongoing global uncertainty which may impact overseas student recruitment and provide diminished investment returns. The University is actively addressing these current challenges, managing its costs and continuing to protect its infrastructure and research performance while maintaining its outstanding global reputation for academic excellence.

As planned, cash has been raised to fund the investments required to support the Strategy (operational developments as well as estate and IT infrastructure improvements) as well as the utilisation of cash generated from operations in each year of the Strategy period to date. The University will continue to do all it can at a local level to balance the financial sustainability of the University in this difficult economic climate with a desire to do what is right by our community of staff and students. Though the outlook is challenging, the University will continue to safeguard and invest in what makes it so very good at what it does.



Governance

Framework

Durham University was founded in 1832 by an 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 is regulated by the Office for Students (OfS) and 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. Members of Council and Senate, including Durham Students' Union and with the support of external legal advisers, have recently undertaken a review of the Statutes. The review aims to ensure the University's governance structures remain fit for purpose. The revised Statutes will be presented for approval to Senate, Council and the Privy Council during 2022/23.

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

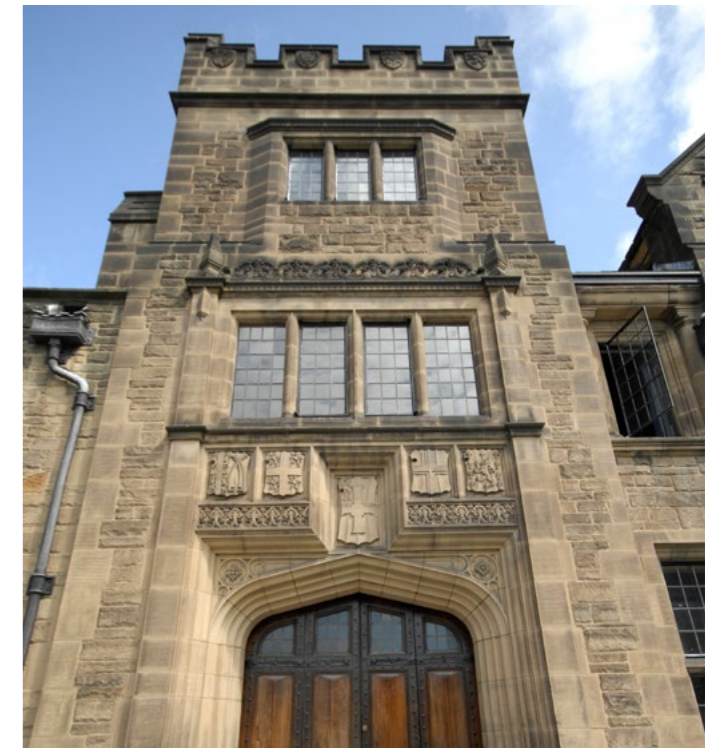
As a charity, the University must operate for the public benefit. In setting and reviewing the University's strategic objectives the University governing body, Council, acts in accordance with the Charity Commission's guidance on public benefit. In its fundraising activities, the University adheres to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

The University conducts its business in a fair, proper, transparent and ethical manner; in accordance with the seven principles identified by the Committee on Standards in Public Life; with the Higher Education Code of Governance issued by the CUC; and is respectful of the Financial Reporting Council (FRC) UK Corporate Governance Code.

The University complies with the six primary elements of the Higher Education Code of Governance. Council members have expressed support for appointing a Senior Independent Governor and requested Governance and Nominations Committee to consider this appointment alongside the Vice-Chair role.

The University's governance and management system:

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



The University's governance framework and management arrangements, aim to support delivery of the University Strategy 2017-27 and be responsive to the dynamic external operating environment. The effectiveness of the governance and management arrangements is regularly evaluated through periodic internal and external reviews. An external review of Council is conducted every few years in line with the guidance in the CUC Code of Governance. The most recent review was conducted in 2021 and the report presented to Council, with the Executive Summary published on the University website. An external review of Senate was undertaken following the Council review and a report presented to Senate and Council in October 2022. The Governance and Nominations Committee is overseeing implementation of the action plans in relation to the recommendations in both reports.

Management

The principal academic, administrative and Accountable Officer of the University is the Vice-Chancellor, who is responsible to Council for the overall strategic direction and performance of the University, and as Warden has overall responsibility for Durham's colleges. The Vice-Chancellor and Warden is supported by a senior leadership team.

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

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

Governance committees

Council is the governing body and Trustee Board of the University with overall responsibility for its affairs and sustainability.

Council is responsible for setting the strategic vision and values of the University, for the organisation of teaching and research and control of the University's property and finances.

Council ensures the establishment and monitoring of systems of control and accountability, including financial and operating controls, risk assessment, value for money and other regulatory responsibilities including compliance with the OfS's ongoing conditions of registration and terms and conditions of funding.

Joe Docherty is the Chair of Council. Joe is Managing Director of Bede Homes, Sedgefield and a Trustee of the Esmée Fairbairn Foundation, which funds the charitable work of organisations focusing on the Arts, Children and Young People, the Environment and Social Change.

Members of Council include: thirteen lay members, including the Chair, drawn from outside the University; seven appointed members of University staff; and ex-officio members that include the Vice-Chancellor and Warden, Deputy Vice-Chancellor and Provost, Dean of Durham Cathedral and President of Durham Student's Union. The Council's gender balance during 2021/22 (following the arrival of the new Vice-Chancellor) was 48% male to 52% female.

Lay members do not receive payment for their work on Council or its Committees but may claim reimbursement of reasonable expenses that are disclosed in the financial statements. A Register of Interests of all Council members is retained by the University Secretary to help manage conflicts of interest.

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

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

Lay Council members are encouraged to be involved in other aspects of University life to cultivate a wider understanding of the University and engage with stakeholders. This includes such activities as reviewing student academic appeals, joining recruitment panels for senior posts and attendance at Convocation (meetings with alumni), and graduation ceremonies. Dedicated events to enable Council members to meet students and staff were also held during the year.

During 2021/22 Council met on ten occasions. This included Council's annual Strategy Day and annual joint meeting with Senate. The confirmed minutes of meetings are published on the University website. Members considered a range of key items during the year.

Progress updates on the University's Strategy, including plans from the Executive to refresh the Strategy as the University transitions into the second half of the ten-year period.

Council monitored the University's financial condition including review and approval of the annual financial statements; investment in the digital domain; and long-term capital spend on the University's estate that includes the proposed acquisition of two properties – Boldon House and The Sands. Council also approved an updated financial agreement and memorandum of understanding with the Recognised Colleges and received regular reports from its committees regarding the oversight of pensions, investments and targeted philanthropic and fundraising activities.

Council received reports on key staffing matters, remuneration and diversity pay and the Staff Survey outcomes. Members supported the launch of an Inclusive Culture and Leadership Development Programme and was involved in the recruitment and appointment of the University's first Pro-Vice-Chancellor for Equality, Diversity and Inclusion.

On the recommendation of Senate, Council approved the establishment of separate Economics and Finance Departments within the University's Business School and proposed mitigations on deferrals for the 2021 admissions cycle. Senate also provided an analysis and response to the 2021 National Student Survey.

The Durham Students' Union President and the Pro-Vice-Chancellor Colleges and Student Experience presented regular updates and Council approved various student-related policies and procedures.

Council received the report following a review of its own effectiveness and thereafter received regular updates from the Governance and Nominations Committee regarding the action plan to address the proposed recommendations and suggestions. Council approved an effectiveness review be undertaken of the Senate and received regular updates from the joint Council and Senate steering group overseeing the process.

Following the strategic review to modernise, simplify and update the University's Statutes, Council approved submission of proposed changes to the Privy Council.

Statement of the Council's Primary Responsibilities



1. To set and agree the mission, strategic vision and values of the University.
2. To agree long term academic and business plans and key performance indicators and ensure that these meet the interests of stakeholders, especially staff, students and alumni.
3. 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.
4. 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.
5. To delegate authority to the Vice-Chancellor, as Chief Executive, for the effective academic, corporate, financial, estate and human resource management of the University.
6. 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.
7. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls, risk assessment, value for money arrangements and procedures for handling internal grievances and for managing conflicts of interest. Council is responsible for the appointment of the University's external auditors.
8. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the strategy, plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
9. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself and the University's system of governance.
10. 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.
11. To safeguard the good name and values of the University and to be responsible for the ethical governance of the University.
12. To appoint the University Secretary as Secretary to Council.
13. 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.

14. 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.
15. 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.
16. 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. This includes accountability for health, safety and security and for equality, diversity and inclusion. 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.
17. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
18. To promote a culture which supports inclusivity and diversity across the institution.
19. To maintain and protect the principles of academic freedom and freedom of speech legislation.
20. To receive and test assurance that academic governance overseen by Senate is adequate and effective.
21. 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.
22. To receive 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.
23. Subject to the provisions of the Statutes, to be responsible for the recognition of the recognised Colleges of the University. In particular, University Council shall approve the appointment of the Heads of the Recognised Colleges.
24. To approve changes to Statutes and to ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Responsibilities of Council in the preparation of the Financial Statements

The Council is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy, at any time, the financial position of the University and which enable Council to ensure that the financial statements are prepared in accordance with the accounting instructions from the OfS, the University's Statutes, the Statement of Recommended Practice: Accounting for further and higher education and other relevant accounting standards. In addition, Council through its Accountable Officer is required by the OfS 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:

- 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
- 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 funds from the OfS are used only for the purposes for which they have been given and in accordance with OfS guidance and the University's ongoing conditions of registration
- Ensure 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 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
- Secure the economical, efficient and effective management of the University's resources and expenditure.

In so far as the Council is aware:

- There is no relevant audit information of which the auditor is unaware
- The Council has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Council membership and meeting attendance record 2021/22

Members	Meetings attended						
	Council	Audit and Risk Committee	Finance Committee	Governance and Nominations Committee	Remuneration Committee	University Strategy Implementation Committee	Ethics Committee
Ex-officio members							
Sir Thomas Allen	The Chancellor	n/a					
Professor Karen O'Brien (from January 2022)	Vice-Chancellor	5/5	3/3	4/4	3/3	2/2	
Professor Antony Long	Deputy Vice-Chancellor	8/8	2/2	7/7	2/2	3/3	
The Very Reverend Andrew Tremlett	Dean of Durham	5/8	3/5				3/3
Ms Seun Twins	President of Durham Students' Union	8/8		6/7	3/5	0/3	1/3
Lay members							
Mrs Joanna Barker (Vice-Chair)		8/8		7/7			
Mr Jonathan Bewes		7/8		5/7		3/3	
Ms Kay Boycott		8/8	5/5				
Mr Joe Docherty (Chair)		8/8		6/7	5/5	2/3	
Miss Leslie Ferrar		7/8	4/5				
Mr James Grierson		6/8		6/7		3/3	
Mrs Alison Hastings		6/8			5/5	3/3	
Professor Denise Lievesley		7/8					
Ms Cheryl Millington		7/8	4/5				
Mr Nigel Perry		8/8				3/3	2/3
Dr Kate Pretty		8/8	5/5			3/3	3/3
Mr Terry Toney		8/8			5/5	3/3	
Appointed members of University staff							
Dr Camila Caiado		8/8			5/5		
Professor Colin Macpherson		5/8		4/7			
Dr Amir Michael		7/8		6/7			
Ms Rebecca Morris		8/8					
Dr Liadi Mudashiru		7/8					
Professor Ari Sadanandom		7/8					
Professor Corinne Saunders		8/8					

Declan Merrington, Postgraduate Academic Officer, Durham Students' Union was invited to meetings as an attendee during 2021/22. The University Secretary and Chief Financial Officer are standing attendees of Council meetings.

The work of Council is supported by several committees which exercise delegated authority in accordance with terms of reference approved by Council and whose decisions and recommendations are formally reported to Council.

Senate provides assurance to Council on academic quality and standards. Senate is responsible for promoting, directing and regulating teaching and research, key components of the business model. Senate is supported by the Education, Research, and Wider Student Experience Committees. Senate membership is drawn from across University staff plus representatives from Durham Students' Union and is chaired by the Vice-Chancellor. A review of the effectiveness of Senate commenced in 2022 overseen by a Joint Steering Group of Senate and Council. The review was undertaken by the independent organisation that conducted the review of Council.

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

The Committee considers elements of the annual financial statements including the auditors' formal opinion, the statement of members' responsibilities, corporate governance statement and internal control, and risk management statements. No significant issues were identified in relation to the financial statements for the year ended 31 July 2022.

The University has a hybrid internal audit function. An in-house service is supported by bought-in generalist internal audit service, provided by Uniac, and specialist support for information technology and health and safety audits provided by PwC and British Safety Council respectively. The external and internal auditors are appointed by Council, on the recommendation of Audit and Risk Committee. There was no change in audit providers during 2021/22.

Audit and Risk Committee membership 2021/22	
Lay members	
Ms Kay Boycott (<i>Chair</i>)	
Ms Cheryl Millington	
Dr Kate Pretty	
The Venerable Andrew Tremlett	
Additional Lay member of Council	
Miss Leslie Ferrar	
Co-opted members	
Mr Martin Cocker	
Mr Grant Evans (<i>until November 2021</i>)	

Finance Committee advises Council on the financial position of the University budgets and financial forecasts. The Committee plays an important role in ensuring the long-term sustainability of the institution through advising Council on the use of accounting policies and changes to accounting treatment, approving the University's policies on investment and borrowing, monitoring implementation of the strategy for the Estate and overseeing the University's employee pension arrangements. The Committee also monitors the effective and efficient procurement and use of resources in accordance with the objectives of the University.

Finance Committee membership 2021/22	
Ex-officio members	
Mr Joe Docherty	Chair of Council
Professor Karen O'Brien (<i>from January 2022</i>)	Vice-Chancellor
Professor Antony Long	Deputy Vice-Chancellor
Ms Seun Twins	President of Durham Students' Union
Members of Council	
Mrs Joanna Barker (<i>Chair</i>)	
Mr Jonathan Bewes	
Mr James Grierson	
Professor Colin Macpherson	
Dr Amir Michael	

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

review of Council's effectiveness and oversees the action plan for addressing proposed recommendations and suggestions.

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

Governance and Nominations Committee membership 2021/22	
Ex-officio members	
Mr Joe Docherty (<i>Chair</i>)	Chair of Council
Professor Antony Long (<i>to December 2021</i>)	Vice-Chancellor
Professor Karen O'Brien (<i>from January 2022</i>)	
Ms Seun Twins	President of Durham Students' Union
Lay Members of Council	
Mrs Alison Hastings	
Mr Terry Toney	
Staff member of Council	
Dr Camila Caiado	
Senior members of staff	
Professor Kiran Fernandes*	
Professor Gillian Bentley	

**excluding the period when serving as the Executive Dean of the Business School.*

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 Korn Ferry, CUC and other survey information) as well as the public interest, the safeguarding of public funds, the University's interests and the need to remain competitive. The Committee 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.

The Committee aligns itself with the CUC Higher Education Senior Staff Remuneration code. The paragraph above sets out the University's current remuneration arrangements in line with the Code.

Remuneration Committee membership 2021/22	
Ex-officio member	
Mr Joe Docherty	Chair of Council
Dr Kate Pretty (<i>Chair</i>)	Member of Audit and Risk Committee
Lay members of Council	
Mr Jonathan Bewes	
Mrs Alison Hastings	
Mr Nigel Perry	

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

University Strategy Implementation Committee membership 2021/22	
Ex-officio members	
Professor Antony Long (<i>to December 2021</i>)	Vice-Chancellor
Professor Karen O'Brien (<i>from January 2022</i>)	
Ms Seun Twins	President of Durham Students' Union
Members of Council	
Dr Kate Pretty (<i>Chair</i>)	Member of Audit and Risk Committee
Mr James Grierson	Member of Finance Committee
Mr Nigel Perry	
Co-opted member	
Mr Terry Toney	

University Ethics Committee is a joint committee of Senate and Council and chaired by a lay member of Council. The Committee is responsible for fostering an environment in which ethics and integrity are firmly embedded in the University's ethos and culture. The Committee 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. Membership comprises the Deputy Vice-Chancellor and Provost, the Pro-Vice-Chancellors, the Executive Faculty Deans, the Chief Financial Officer, the Chief Information Officer, the Director of Human Resources, the Director of Strategic Initiatives Delivery Unit and the Director of Estates and Facilities. The University Secretary and the Director of Advancement and Communications are standing attendees of meetings. The Committee oversees the development and delivery of the University Strategy and monitors the achievement of its performance objectives. The Committee coordinates the University's integrated planning and budgeting process and recommends the annual budget and financial forecasts, manages key risks and makes recommendations to Senate and Council on important policy initiatives.

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 Council is responsible.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; Council can therefore only provide reasonable and not absolute assurance of effectiveness.

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

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

The process has been in place throughout the year ended 31 July 2022, and up to the date of approval of the financial statements, and is in accordance with the responsibilities assigned with OfS guidance and the University's ongoing conditions of registration.

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 external providers) undertakes a planned programme of assurance reviews (covering business, operational, compliance and financial risks) as part of a risk-based strategic and Annual Assurance plan and reports its findings to the University's management and Audit and Risk 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, quality of data to the OfS, Higher Education Statistics Agency and other public bodies and the achievement of value for money.

From an assessment of the performance of the University Assurance Service by the Audit and Risk Committee, informed by the views of the Vice-Chancellor, it is considered that these arrangements were effective for the year ended 31 July 2022 and the period up to the date of approval of the audited financial statements and there were no significant internal control weaknesses.

Signed on behalf of Durham University

Joe Docherty
Chair of Council





Independent auditor's report to the Council of Durham University

Opinion

We have audited the financial statements of Durham University (the 'parent university') and its subsidiaries (the 'group') for the year ended 31 July 2022, which comprise the Consolidated and University Statement of Comprehensive Income, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent university's affairs as at 31 July 2022, and of the group's and the parent university's income and expenditure, gains and losses, changes in reserves and of the group's cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in October 2019.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent university's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's

opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent university to cease to continue as a going concern.

In our evaluation of the Council's conclusions, we considered the inherent risks associated with the group's and the parent university's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Council and the related disclosures and analysed how those risks might affect the group's and the parent university's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent university's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Council with respect to going concern are described in the 'Responsibilities of the Council for the financial statements' section of this report.

Other information

The Council are responsible for the other information. The other information comprises the information included in the annual report set out on pages 3-56, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students ('OfS') accounts direction (issued October 2019)

In our opinion, in all material respects:

- funds from whatever source administered by the parent university for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS, UK Research and Innovation (including Research England), the Education & Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them; and
- the requirements of the OfS's accounts direction (issued October 2019) have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

- the parent university's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; or
- the parent university's expenditure on access and participation activities for the financial year, as disclosed in the note to the accounts, has been materially misstated.

Responsibilities of Council for the financial statements

As explained more fully in the Statement of responsibilities of the Council set out on page 52, the Council is responsible for the preparation of the financial statements and for being satisfied they give a true and fair view, and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and university, and the sector in which it operates. We determined that the following laws and regulations were most significant
 - financial reporting legislation (Statement of Recommended Practice: Accounting for further and higher education 2019, United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 and the OfS Accounts Direction (October 2019));
 - regulatory environment (including the OfS framework and relevant OfS regulatory notices);
 - legal framework and the Royal Charter and its supporting Statutes; and
 - the Higher Education Code of Governance published by the CUC.

The engagement team remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

- We understood how the group and university is complying with those legal and regulatory frameworks by, making inquiries of management and those responsible for legal and compliance procedures. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes and papers provided to the Audit committee, and through our legal and professional expenses review.
- To assess the potential risks of material misstatement, we obtained an understanding of:
 - The group and university's operations, including the nature of its revenue sources, expected financial statements disclosures and business risks that may result in a risk of material misstatement; and



- The group and university's control environment including the adequacy of procedures for authorisation of transactions.
- We assessed the susceptibility of the group and university's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - Evaluating the processes and controls established to address the risks related to irregularities and fraud;
 - Testing journal entries, in particular journal entries relating to management estimates and journals entries deemed to relate to unusual transactions;
 - Challenging assumptions and judgement made by management in its significant accounting estimates;
 - Identifying and testing related party transactions; and
 - Completion of audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the client operates in, and its practical experience through training and participation with audit engagements of a similar nature.

Use of our report

This report is made solely to the university's Council, as a body, in accordance with paragraph 3.1 of the University's articles of government. Our audit work has been undertaken so that we might state to the university's Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the university and the university's Council as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Leeds

5/1/2023

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.

2. Exemptions under FRS102

The University has taken advantage of the exemptions available under section 3.3 of the SORP (1.12(b) of FRS102) to not disclose the following in its financial statements:

- a) A separate cash flow statement for the University
- b) Transactions with other group members.

And also of the practical expedient under FRS102 Section 11 from consideration of substantial debt modifications, where the only changes are due to the move from LIBOR to SONIA.

3. Going Concern

Council has assessed its going concern status over a period of two years to July 2024. In addition, Council reviews and approves three-year financial forecasts, including detailed cash flow forecasts, annually in order to be fully satisfied that it can meet its working capital needs from its forecast cash balances.

The University's latest three-year financial forecast was approved in July 2022 and forms the base case forecast which factored in the key economic assumptions at the time, with inflation anticipated to rise to 10% in 2022/23 before returning to 3.5% in 2023/24. These inflationary activities impact on utilities, food prices and most commodities. Impacts on future performance due to Brexit and the emergence of the UK from the Covid-19 pandemic were also considered.

Since July 2022, and as a result of the continuing and deepening global economic uncertainties of high inflation, rising interest rates, war in Europe and a likely UK economic recession, the University has been required to revisit its base case forecast and conduct a reverse stress test scenario as part of its sensitivity analysis work. The reverse stress test is designed to understand what it would take for the University to breach its contractual covenants and explores plausible scenarios that would cause such a breach to occur. The covenant position forms the main risk to going concern given the University's high level of cash and available resources.

The reverse stress test developed scenarios based on a realistic position and a worst-case outlook for the University based on assumptions made of the global uncertainties. These assumptions included, but were not limited to, a projection of energy usage based on forecast and worst-case positions, impacts of continuing high inflation and interest rates, and falls in both undergraduate and postgraduate student recruitment.

The outputs of these tests were then reviewed against the Group's current and projected future net cash/debt and liquidity position. This assessment enabled the University to understand how it could mitigate against these risks and meet its liabilities as they fall due. The results of this test show that a significant financial impact against the Council-approved financial forecasts must occur before any covenants are breached. Any covenant breach would occur before cash runs out due to the University's significant cash and undrawn debt position; the University's cash position at 31 July 2022 was £83.2m and its non-current investments totalled £264.7m. In addition, since the year-end the University has increased its £25m revolving credit facility to £75m to 2025 to further strengthen its available cash position. The University would also undertake mitigation options, including a slowdown of investments in its infrastructure, expenditure reductions and a holding back of non-essential staffing positions, should the risk of any breach occur.

Financial operating performance in 2021/22, after excluding the increase in the USS deficit funding provision, was strong and the Council, having considered its forecasts together with the sensitivity analysis included within the reverse stress testing exercise, is confident that it will be able to meet all of its future financial obligations and operate within its financial covenants to July 2024 with a firm expectation to continue to do so into the foreseeable future. As a result, these financial statements have been prepared on a going concern basis.

4. Basis of Consolidation

The financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July 2022.

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.

5. 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 grants, 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.

6. 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 were 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.

7. 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.

8. Service Concession Arrangements

When the University enters into a service concession arrangement, the terms of the arrangement are considered to inform managements judgements on how to account for the arrangement. The University has a service concession arrangement in place with Mount Oswald Colleges LLP for the use of two Colleges for the provision of accommodation to students.

Fixed assets held under service concession arrangements are initially recognised on the Balance Sheet at the present value of the lease payments when the assets are brought into use, with a corresponding financial liability. Subsequently, fixed assets are shown at valuation less accumulated depreciation.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

9. 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.

10. 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 benefit to the University. The cost of such enhancement is added to the gross cost of the relevant asset. All capital expenditure initially held on the balance sheet as work in progress and

capitalised when fully available and ready for use.

b. Valuation

Tangible fixed assets are stated as follows:

Asset	Basis
Land	Deemed cost at 1 August 2014 (valuation at that date)
Freehold Buildings	Cost or, in the case of buildings for which the cost cannot readily be ascertained, at valuation
Leasehold Buildings	Cost
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:

Asset	Basis
Freehold Buildings	15 to 50 years according to the designated useful life of its components
Leasehold Buildings	Over the term of the lease
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.

11. Intangible Assets

a. Capitalisation

Intangible 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 an intangible asset after its initial purchase is capitalised where it increases the expected future benefit to the University. The cost of such enhancement is added to the gross cost of the relevant asset. All capital expenditure initially held on the balance sheet as work in progress and capitalised when fully available and ready for use.

b. Valuation

Intangible assets are stated as follows:

Asset	Basis
Software	Cost

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

c. Amortisation

Asset	Basis
Software	Between 4 and 10 years

No amortisation is charged on assets in the course of construction. Borrowing costs attributable to the acquisition or construction of an intangible 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.

12. Heritage assets

The University holds and conserves a number of collections, exhibits, artefacts, and other assets of historical, artistic, or scientific importance. Heritage assets acquired before 1 August 2007 have not been capitalised, since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions since 1 August 2007 have been capitalised at cost, or in the case of donated assets, at expert valuation on receipt. In line with the accounting policy in respect of tangible fixed assets, the threshold for capitalising heritage assets is £10,000. Heritage assets where a value is maintained for insurance purposes are recognised at deemed cost based on a valuation at 1 August 2016.

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

13. Investments

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

Endowment property is land and buildings held for rental income or capital appreciation rather than for delivering services. Endowment 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. Non-current investments are held on the Statement of Financial Position at amortised cost less impairment.

14. Stock

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

15. 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.

16. Financial Instruments

As allowable under FRS 102 the University has adopted in full the recognition, measurement and disclosure requirements of sections 11 and 12 of FRS 102. Where the University's financial assets and liabilities meet the criteria for basic financial instruments prescribed within FRS 102, these instruments are held at amortised cost using the effective interest method or cost and are subject to an annual impairment review.

The University has hedging instruments under the terms of a loan taken out in 2010 and held as derivatives. The University has not designated these as financial hedges under Section 12 of FRS 102 and as such the instruments are held at fair value with the annual change in value being recorded within the Statement of Comprehensive income as part of the surplus for the year.

17. 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.

18. 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.

19. 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.

20. Significant accounting estimates and judgements

The University prepares its consolidated financial statements in accordance with FRS 102, the application of which often requires certain estimates and judgements to be made by management when formulating the financial position and performance. In determining and applying accounting policies, judgement is often required where the choice of specific policy, accounting estimates or assumptions could materially affect the reported results or net asset position. These judgements, estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Given the continued uncertainty on world economic recovery post the Covid-19 pandemic, it is increasingly difficult to predict the impact on the reported and future financial position. Valuations for investments (including endowment properties and other securities) and pension funds rely on third party and other market valuations. These valuations are subject to inherent uncertainty as global markets continue to recover from the global pandemic and grapple with current global issues: climate change, war, recession etc. The resulting accounting estimates will therefore, by definition, be unlikely to equal the related actual results and may lead to adjustments to the future carrying value of assets and liabilities.

The judgements, estimates and assumptions that have a risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the financial year are addressed below.

a. Judgements

i) Mount Oswald Campus Project (MOCP)

Judgements have been taken in accounting for amounts attributable to individual elements of the Mount Oswald Campus Project (MOCP).

The University holds 15% equity in Mount Oswald Colleges LLP, the Special Purpose Vehicle set up to operate the residences. This investment is made through the University's wholly owned subsidiary, Durham Mount Oswald Ltd.

In 2018, the University issued a headlease to Mount Oswald Colleges LLP (MOC) in relation to land held on Mount Oswald, Durham. The premium linked to the headlease obligations has been determined at £19.8m and judgement has been

taken in determining that the most appropriate treatment is the recognition of this income over the 53-year life of the lease. The annual amount released to the Statement of Comprehensive income is £372k. This value relating to the next financial year is held within Current Liabilities (Note 20) with the remaining balance held as a Long-Term Creditor (Note 21).

Under the MCOP, the University has entered into an agreement with MOC for the provision of student accommodation in Durham, which is always in high demand. This agreement provides for an annual nomination charge based on contractually agreed terms each October for the following academic year, until the contract terminates in 2071. This arrangement is deemed to be a Service Concession Arrangement under the terms of Section 34 of FRS102 and the University recognises the assets and liabilities to the extent that the University is required to fulfil nominations commitments at each 31 July.

Future carrying values of assets and liabilities are therefore known with reasonable certainty.

ii) Queens Campus Stockton

In the early 1990's the University established and built a new campus at Stockton, comprised of a number of buildings clustered together on a new riverside development. In 2016 it was announced that the schools of Medicine, Pharmacy and Health were to transfer to Newcastle University.

Since that time, some of the buildings have been sold to external third parties, whilst others have either been used for alternative teaching or been mothballed.

Management have reviewed the remaining five buildings as a campus and made a judgement that the campus as originally envisaged no longer exists. It is therefore judged as appropriate to value the five buildings as individual assets, as current and future anticipated teaching use will be restricted to two of the buildings. As such it is appropriate to continue to carry these two buildings at their book value and that their original lives estimate is still valid.

Management will continue to review activity on this site and the strategic direction of the University teaching here. The net book value of the unimpaired buildings at 31 July 2022 is £16.2m.

The other three buildings have been valued on a market value basis, resulting in a total impairment charge to date of £5.3m, of which £0.5m was charged to the SOCIE in the current financial year. The market value of the three buildings at 31 July 2022 is £8.4m.



b. Estimates

i) Useful lives of fixed assets

The useful lives of the University's assets are determined by management at the time the asset is acquired. These lives are reviewed regularly and amended when necessary to reflect current estimates of where the carrying amount of that asset may not be recoverable. 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.

The depreciation charge for the year of £42.4m (2021: £35.4m) is calculated using consistently applied depreciation rates and management is not aware of any events that would require a change to the useful lives of its assets.

ii) Non-current asset investments – endowment properties

Endowment properties are included at fair value which was determined by a property valuation expert on the date that the property was endowed to the University. After initial recognition, the properties enter a rolling five-year programme of external valuations on 'Red Book' basis with a firm of local but national chartered surveyors, familiar with the University portfolio. The last such valuation was in 2019. In the intervening years, a senior member of the estates department, a qualified surveyor, performs a desktop valuation using available local market data.

It is assumed that the properties are held on a long term basis with no intention to sell on the open market in the foreseeable future and that they will continue to be used for their current purpose. Management believes this to be an appropriate,

reasonable and consistent approach.

At year end the properties were valued at £17.7m (2021: £17.1m) after a 4% valuation update following recalculation by the estates department. It would take a significant movement in local property values to result in a material change in value of the properties.

iii) Annual leave liability

The liability for outstanding annual leave is calculated based on the assumptions below.

For academic staff it is assumed that holiday is taken during non-term time. Holiday entitlement has been calculated for the period from 1 January to 31 July on a pro-rata basis and holiday taken also calculated on a pro-rata basis, with reference to term/holidays time. This number of days is then applied to the academic payroll on an individual employee basis to calculate the value of the estimated liability.

Non-academic staff are able to take their holiday at a mutually agreed time throughout the year. Holiday requests are made and approved formally through the HR system. Holiday entitlement has been calculated by individual employee for the period from 1 January to 31 July on a pro-rata basis, and actual holiday taken during this period deducted from this.

For the year ended 31 July 2022 the combined liability for both cohorts is £4.1m (2021: £3.9m).

Management is aware of the recent legal ruling in the case of Harpur Trust v Brazel and a working group has been established to determine the action required to be taken by the University.

This group has yet to make any recommendations to management, however a review of the potential liability indicates that the amount is not expected to be material to the financial statements.

iv) Calculation of USS pension provision

The University participates in this multi-employer scheme, which is one of the biggest private pension schemes in the UK used by over 340 employers across the wider higher education sector. USS is a trust with appropriate governance structures and produces annual audited accounts and independent valuations of its assets and liabilities.

Participants in the scheme are not able to identify their individual share of the assets and liabilities. Given the involvement of so many wider HE institutions, the British University Finance Directors Group (BUFDG) works with an external professional advisor, Mercers, to provide sector wide guidance to enable individual institutions to value their pension liability. In addition, BUFDG provides its members with a USS model to enable the annual pension liability to be calculated in a standardised manner. The University relies upon this work in determining its required provision.

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.

The USS model calculates the liability based upon the current USS recovery plan period to 2038. The impact of changes to the above assumptions over that period have the following impact:

Year on year pay increases of an additional 1% have an impact on the FRS102 liability of £12.0m

Year on year movement in staff numbers of 1% have an impact on the FRS102 liability of £12.4m.

The provision at 31 July 2022 is £141.8m (2021: £54.0m).

Further information is available in Note 22 Provision for Liabilities and Note 29 Pensions.

v) Calculation of Durham University Pension Scheme (DUPS) Provision

The University sponsors DUPS, 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 composed of representatives of both the University and employees.

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.

The assumption having the largest impact is that of the discount rate:

The impact of a change in the discount rate of +1% on the FRS102 liability would be a reduction of £28.0m

The impact of a change in the discount rate of -1% on the FRS102 liability would be an increase of £35.0m.

The provision at 31 July 2022 is £31.8m (2021: £66.6m). Further information is available in Note 22 Provision for Liabilities and Note 29 Pensions.



Financial Statements

Consolidated and University Statements of Comprehensive Income and Expenditure - Year ended 31 July 2022

	Note	Consolidated 2022 £'000	University 2022 £'000	Consolidated 2021 £'000	University 2021 £'000
Income					
Tuition fees and education contracts	1	272,353	272,353	241,301	241,301
Funding body grants	2	43,570	43,570	43,046	43,046
Research grants and contracts	3	50,462	50,462	51,170	51,170
Other income	4	78,140	77,840	45,750	45,478
Investment income	5	5,407	5,407	4,617	4,617
Donations and endowments	6	18,613	18,613	7,595	7,595
Total income		468,545	468,245	393,479	393,207
Expenditure					
Staff costs	7	241,288	241,288	217,460	217,460
USS provision	22	90,602	90,602	(981)	(981)
Total Staff Costs		331,890	331,890	216,479	216,479
Other operating expenses	9	146,310	146,005	112,515	112,150
Depreciation and amortisation	12, 14	43,155	43,155	35,854	35,854
Impairment adjustment	12	495	495	4,861	4,861
Interest and other finance costs	10	10,836	10,836	11,062	11,062
Total expenditure		532,686	532,381	380,771	380,406
(Deficit)/Surplus before other gains and share of operating surplus of joint venture		(64,141)	(64,136)	12,708	12,801
Net (Loss)/Gain on investments	15	(14,113)	(14,113)	12,912	12,912
Gain/(Loss) on disposal of fixed assets		202	202	(27)	(27)
Change in fair value of derivatives		12,173	12,173	(6,974)	(6,974)
Share of operating surplus in JV		-	-	-	-
(Deficit) / Surplus Before Tax		(65,879)	(65,874)	32,567	32,660
Taxation	11	-	-	-	-
(Deficit) / Surplus for the year		(65,879)	(65,874)	32,567	32,660
Actuarial gain in respect of pension schemes	29	37,168	37,168	13,803	13,803
Total comprehensive income for the year		(28,711)	(28,706)	46,370	46,463
Represented by:					
Endowment income	23	895	895	11,810	11,810
Restricted expenses	25	(1,344)	(1,344)	1,652	1,652
Unrestricted income		(28,262)	(28,257)	32,908	33,001
		(28,711)	(28,706)	46,370	46,463

All items of income and expenditure relate to continuing activities. The accompanying notes and policies form part of these financial statements.

Consolidated Statement of Changes in Reserves for the year ended 31 July 2022

	Income and expenditure account			Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
Balance at 1 August 2020	86,413	8,821	333,786	429,020
Surplus from income and expenditure statement	11,810	3,030	17,727	32,567
Other comprehensive expenditure	-	-	13,803	13,803
Transfer between reserves	-	-	-	-
Release of restricted funds spent in year	-	(1,378)	1,378	-
Total comprehensive income for the year	11,810	1,652	32,908	46,370
Balance at 31 July / 1 August 2021	98,223	10,473	366,694	475,390
Surplus / (Deficit) from income and expenditure statement	895	(1,344)	(65,430)	(65,879)
Other comprehensive income	-	-	37,168	37,168
Release of restricted funds spent in year	300	(300)	-	-
Total comprehensive income for the year	1,195	(1,644)	(28,262)	(28,711)
Balance at 31 July 2022	99,418	8,829	338,432	446,679

University Statement of Changes in Reserves for the year ended 31 July 2022

	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	£'000
Balance at 1 August 2020	86,413	8,821	334,952	430,186
Surplus from income and expenditure statement	11,810	3,030	17,820	32,660
Other comprehensive expenditure	-	-	13,803	13,803
Transfer between reserves	-	-	-	-
Release of restricted funds spent in year	-	(1,378)	1,378	-
Total comprehensive income for the year	11,810	1,652	33,001	46,463
Balance at 31 July / 1 August 2021	98,223	10,473	367,953	476,649
Surplus / (Deficit) from income and expenditure statement	895	(1,344)	(65,425)	(65,874)
Other comprehensive income	-	-	37,168	37,168
Release of restricted funds spent in year	300	(300)	-	-
Total comprehensive income for the year	1,195	(1,644)	(28,257)	(28,706)
Balance at 31 July 2022	99,418	8,829	339,696	447,943

Consolidated and University Balance Sheets – as at 31 July 2022

	Note	Consolidated 2022 £'000	University 2022 £'000	Consolidated 2021 £'000	University 2021 £'000
Non-current assets					
Fixed assets	12	621,456	621,456	599,721	600,827
Heritage assets	13	37,865	37,865	37,865	37,865
Intangible Assets	14	6,728	6,728	4,585	4,585
Investments	15	264,745	264,745	274,888	274,889
Investment in subsidiaries	15	-	1,764	-	1,764
Investment in associates	15	51	49	49	49
		930,845	932,607	917,108	919,979
Current assets					
Stock	16	271	271	328	308
Trade and other receivables	17	29,735	29,418	24,263	22,513
Investments	18	359	359	25,753	25,753
Cash and cash equivalents	19	83,200	82,907	52,691	52,641
		113,565	112,955	103,035	101,215
Creditors: amounts falling due within one year	20	(122,956)	(122,844)	(105,308)	(105,100)
Net current liabilities		(9,391)	(9,889)	(2,273)	(3,885)
Total assets less current liabilities		921,454	922,718	914,835	916,094
Creditors: amounts falling due after more than one year	21	(300,200)	(300,200)	(317,720)	(317,720)
Provisions					
Pension provisions	22	(173,575)	(173,575)	(120,716)	(120,716)
Other provisions	22	(1,000)	(1,000)	(1,009)	(1,009)
Total net assets		446,679	447,943	475,390	476,649

	Note	Consolidated	University	Consolidated	University
		2022	2022	2021	2021
		£'000	£'000	£'000	£'000
Restricted Reserves					
Endowment reserves	23	99,418	99,418	98,223	98,223
Restricted reserves	25	8,829	8,829	10,473	10,473
Unrestricted Reserves					
Income and expenditure reserve		338,432	339,696	366,694	367,953
		446,679	447,943	475,390	476,649

The Financial Statements and the accompanying notes and policies that form part of these Financial Statements were approved by the Council on 4 January 2023 and signed on its behalf by:



J Docherty
Chair of Council



K O'Brien
Vice-Chancellor



S Willis
Chief Financial Officer

Consolidated Cash Flow Statement for the year ended 31 July 2022

	Note	2022	2021
		£'000	£'000
Cash flow from operating activities			
(Deficit) / Surplus for the year		(65,879)	32,567
Adjustment for non-cash items			
Depreciation	12	38,363	35,485
Amortisation of intangibles	14	719	370
Gift of building	12	(4,781)	-
Impairment adjustment	12	495	4,861
Loss / (Gain) on investments	15	13,959	(12,738)
Movement in fair value of derivatives	21	(12,173)	(6,976)
Decrease in stock	16	57	47
(Increase) / Decrease in debtors	17	(5,472)	2,669
Increase / (Decrease) in creditors	20	16,934	(4,557)
Increase in pensions provisions	22	90,027	2,525
Decrease on other provisions	22	(9)	-
Adjustment for investing or financing activities			
Investment income	5	(5,407)	(4,617)
Interest payable	10	9,234	9,470
Endowment donations	6	(3,314)	(2,124)
(Profit) / Loss on sale of tangible fixed assets		(202)	53
Net expenditure on restricted reserves	25	1,644	-
Capital grant income		(248)	1,393
Net cash flow from operating activities		73,947	55,643
Cash flows used in investing activities			
Proceeds from sale of fixed assets		563	-
Capital grant receipts	25	248	1,393
Investment income	5	5,407	4,617
Payments made to acquire fixed assets	12	(57,909)	(44,973)
Payments made to acquire intangible fixed assets	14	(2,862)	-
New non-current asset investments (including endowments and pooled funds)	15	(3,818)	(90,100)
Returned deposits	18	25,394	14,792
Endowment cash received	23	3,314	2,124
		(29,663)	(112,147)

Cash flows used in financing activities

Interest paid	10	(9,234)	(9,471)
Repayment of amounts borrowed	21	(4,541)	(4,541)

		(13,775)	(14,012)
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Increase/(decrease) in cash and cash equivalents in the year	19	30,509	(70,515)
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Cash and cash equivalents at beginning of the year	19	52,691	123,206
Cash and cash equivalents at end of the year	19	83,200	52,691

		30,509	(70,515)
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Analysis of Changes in Net Debt

	<i>At 01 August 2021</i>	<i>Cash Flows</i>	<i>Other Non- Cash Changes</i>	<i>At 31 July 2022</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash & Cash Equivalents				
Cash	52,691	30,509	-	83,200
Overdrafts	-	-	-	-
Cash Equivalents	-	-	-	-

	52,691	30,509	-	83,200
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Borrowings

Debt Due within One Year	4,541	(4,541)	4,822	4,822
Debt Due After One Year	273,364	-	(4,822)	268,542

	277,905	(4,541)	-	273,364
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Notes to the financial statements

	Consolidated 2022 £'000	University 2022 £'000	Consolidated 2021 £'000	University 2021 £'000
1. Tuition fees and education contracts				
Full-time home and EU students	124,171	124,171	121,649	121,649
Full-time international students	131,011	131,011	101,904	101,904
Part-time students	5,729	5,729	4,746	4,746
Short courses	2,645	2,645	2,987	2,987
Research training support grants	8,545	8,545	7,266	7,266
Other fees	252	252	2,750	2,750
	272,353	272,353	241,301	241,301

2. Funding body grants**Recurrent grant**

Office for Students	7,781	7,781	6,312	6,312
Research England	31,806	31,806	31,562	31,562

Specific grants

Office for Students	91	91	80	80
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Capital grants

Office for Students	1,555	1,555	1,447	1,447
Research England	2,337	2,337	3,645	3,645

	43,570	43,570	43,046	43,046
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3. Research grants and contracts

Research councils	30,048	30,048	33,545	33,545
UK charities	4,440	4,440	3,949	3,949
Central /Local Government	3,789	3,789	2,924	2,924
UK industries	3,243	3,243	2,559	2,559
EU Government	5,528	5,528	5,111	5,111
Other overseas	3,271	3,271	2,996	2,996
Other sources	143	143	86	86
	50,462	50,462	51,170	51,170

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 2022 amounted to £20.3m (2021 £14.9m).

	Year ended 31 July 2022		Year ended 31 July 2021	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Total grant and fee income				
Grant income from OfS	9,427	9,427	7,839	7,839
Grant income from other bodies	42,688	42,688	42,473	42,473
Fee income from taught awards	260,911	260,911	231,048	231,048
Fee income from research awards	50,462	50,462	51,170	51,170
Fee income from non-qualifying courses	2,897	2,897	2,987	2,987
	366,385	366,385	335,517	335,517

	Note	2022		2021	
		Consolidated	University	Consolidated	University
		£'000	£'000	£'000	£'000
Residences, catering and conferences		56,566	56,566	29,599	29,599
Other services rendered		5,281	5,281	5,559	5,559
Coronavirus Job Retention Scheme		-	-	1,688	1,688
*Other income		16,293	15,993	8,904	8,632
		78,140	77,840	45,750	45,478

*This includes a value of £8,853,569 being the transfer value of the Holliday Building on the Queen's Campus, Stockton. This transfer relates to a transaction in 1998 which was previously not recognised.

5. Investment income

Investment income on endowments		1,160	1,160	1,095	1,095
Investment income on restricted reserves		93	93	12	12
Other investment income		4,154	4,154	3,510	3,510
		5,407	5,407	4,617	4,617

6. Donations and endowments

Capital grants and donations		248	248	2,216	2,216
New endowments	23	3,314	3,314	2,124	2,124
Donations with restrictions	25	2,687	2,687	1,603	1,603
Unrestricted donations		12,364	12,364	1,652	1,652
		18,613	18,613	7,595	7,595

7. Staff costs

	2022		2021	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Salaries	189,856	189,856	168,825	168,825
Social security costs	17,517	17,517	15,463	15,463
Other pension costs				
USS (See note 29(a))	26,623	26,623	26,875	26,875
DUPS (See note (29(b)))	6,955	6,955	6,027	6,027
NOW (See note 29(c))	337	337	270	270
	241,288	241,288	217,460	217,460

a) Analysis of staff costs by activity

Academic and related expenditure	151,851	151,851	138,609	138,609
Administration and central services	18,987	18,987	17,474	17,474
Premises	7,013	7,013	6,388	6,388
Residences, catering and conferences	12,459	12,459	12,121	12,121
Research grants and contracts	22,584	22,584	21,346	21,346
Student and staff facilities and amenities	16,040	16,040	12,317	12,317
General educational expenditure	2,034	2,034	1,516	1,516
Miscellaneous expenditure	10,320	10,320	7,689	7,689
	241,288	241,288	217,460	217,460

b) Emoluments of the Vice-Chancellor

As well as their basic pay, the postholder is eligible to join the USS. Should the post holder not wish to be a member, the University will pay life assurance premiums and an Additional Remuneration Allowance (ARA) 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.

In addition, the postholder is provided with rent free accommodation to enable the better performance of their duties. From April 2021 this has been deemed a taxable benefit. This accommodation is a flat within a larger University-owned building.

There are no other emoluments paid to the postholder.

Emoluments of the Vice-Chancellor – 2021

Professor Stuart Corbridge was Vice-Chancellor throughout the academic year and had opted out of membership of USS. He occupied the provided accommodation throughout the academic year, with an estimated annual value of £18,000 per annum. Utility costs, excluding water, were also paid by the University, being not separately identifiable as the accommodation is within part of a larger University property.

A summary of the emoluments of Professor Corbridge is set out below:

1 August 2020 to 31 July 2021	£'000
Salary	290
ARA	29
Life Assurance Contributions	5
Provision of accommodation	18
Total Emoluments	342

Ratio of Head of Institution pay against median pay of all staff (see notes below)

2020-21 - Professor Corbridge	Basic Pay multiple	Total Pay multiple
Including casual and agency workers	11.42	12.84
Excluding casual and agency workers	9.06	9.21

Emoluments of the Vice-Chancellor – 2022

Professor Anthony Long was Acting Vice Chancellor for the period from 1 August 2021 to 31 December 2022 and was a member of the USS. He did not occupy the post holder provided accommodation.

Following the appointment of Professor Karon O'Brien, Professor Long resumed his former post of Deputy Vice Chancellor and Provost for the remainder of the academic year and has subsequently announced his retirement at the end of December 2022.

A summary of the emoluments of Professor Long, in his capacity as Vice Chancellor is set out below:

1 August 2021 to 31 December 2021	£'000
Salary	120
Pension contribution to USS	25
Total Emoluments	145

Ratio of Head of Institution pay against median pay of all staff (see notes below)

2021-22 - Professor Long	Basic Pay multiple	Total Pay multiple
Including casual and agency workers	10.48	11.13
Excluding casual and agency workers	8.01	7.96

Professor Karen O'Brien has been Vice Chancellor since 1 January 2022 and is not a member of the USS.

The Vice Chancellor's accommodation was not ready for occupation when she started in January 2022. The University rented temporary accommodation for the first three months of her tenure and she continued in the same accommodation in a private capacity for a further period before taking up residence in a flat in Hollingside House on 1 September. The flat is within a University owned property and has an annual estimated rental value of £12,000.

A summary of the emoluments of Professor O'Brien is set out below:

1 January 2022 to 31 July 2022	£'000
Salary	164
ARA	18
Life Assurance Contributions	10
Provision of Accommodation	4
Relocation Expenses	2
Total Emoluments	198

Ratio of Head of Institution pay against median pay of all staff (see notes below)

2021-22 – Professor O'Brien	Basic Pay multiple	Total Pay multiple
Including casual and agency workers	10.62	11.00
Excluding casual and agency workers	8.11	7.87

a) 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.

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 for Russell Group institutions in 2020/21 was 9.0, excluding casual and agency workers). Where some institutions outsource lower paid positions, for example cleaning and catering staff, Durham does not subcontract these roles which impacts on our pay ratios.

b) Vice-Chancellor Pay

The University is a large and complex institution with over 4,300 FTE staff and more than 22,000 students. It has an annual turnover of almost £460m 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 six UK university and a world top 100 university (QS World Rankings 2023) 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, Business, Science and Social Sciences, with subjects such as Theology and Archaeology ranked in the Top 10 in the world (QS 2022).

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

c) Remuneration of other higher paid staff*Excluding employer's pension contributions*

	2022	2021
	No.	No.
£100,000 - £104,999	19	10
£105,000 - £109,999	11	14
£110,000 - £114,999	12	14
£115,000 - £119,999	9	3
£120,000 - £124,999	4	9
£125,000 - £129,999	7	5
£130,000 - £134,999	5	5
£135,000 - £139,999	5	5
£140,000 - £144,999	6	1
£145,000 - £149,999	5	3
£150,000 - £154,999	1	3
£155,000 - £159,999	1	-
£160,000 - £164,999	2	-
£165,000 - £169,999	2	1
£170,000 - £174,999	-	3
£175,000 - £179,999	1	-
£180,000 - £184,999	1	-
£185,000 - £189,999	1	-
£195,000 - £199,999	-	1
£200,000 - £204,999	-	1
£205,000 - £209,999	-	1
£210,000 - £214,999	1	-
£245,000 - £259,999	1	-
	94	79

d) Key management personnel (KMP)

	2022	2021
	£'000	£'000
Key management personnel remuneration	2,998	3,007
Number of staff	16	16

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling. The remuneration disclosed above relates to the members of the University Executive Committee whose ex officio membership is comprised of: The Vice-Chancellor and Warden, The Deputy Vice-Chancellor and Provost, The Pro-Vice-Chancellor (Colleges and Student Experience), The Pro-Vice-Chancellor (Education), The Pro-Vice-Chancellor (Equality, Diversity and Inclusion), The Pro-Vice-Chancellor (Global), The Pro-Vice-Chancellor (Research), The Executive Faculty Deans (Arts and Humanities, Business, Science, Social Sciences and Health), The Chief Financial Officer, The Chief Information Officer, The Director of Estates and Facilities, The Director of Human Resources, The Director of Strategy Delivery Unit.

Notes

i) No member of KMP received any compensation for loss of office during the financial year.

ii) Most members of KMP participate in membership of the USS. The estimated value of the in-year change in obligation to fund the pension scheme liability, attributable to those KMP members is £830,015.

e) Staff numbers	2022	2021
<i>Full time equivalent staff numbers by type</i>	No.	No.
Academic	1,991	1,858
Professional and technical	1,097	1,020
Administrative and clerical	624	589
Facilities and other support	598	603
	4,310	4,070

f) 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 (2020 - nil).

The total expenses paid to or on behalf of 15 of the Council members was £18,203 (2021: £7,765 to 7 of the Council members). This represents travel and subsistence expenses incurred in attending Council and Committee meetings in their official capacity. The increase between the two years reflects the increase in physical meetings following the relaxation of Covid-19 guidance.

g) 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 2021 to March 2022

Relevant Union Officials	2021 - 22	2020 - 21
Number of employees who were relevant union officials during the relevant period	24	22
Full-time equivalent employee number	21.09	19.09

Percentage of time spent on facility time	Number of Employees 2021 - 22	Number of Employees 2020 - 21
0%	6	4
1-50%	18	18
51-99%	-	-
100%	-	-

Percentage of pay bill spent on facility time	2021 - 22	2020 - 21
Total cost of facility time	£56,295	£71,355
*Total Pay Bill	£241,288,000	£217,460,000
Percentage of pay bill spent of facility time	0.02%	0.03%

*The Total Pay Bill figure was incorrectly stated in the prior year and has been corrected here to allow meaningful comparison with the current year.

Paid Trade Union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	7.82%	0.74%
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h) Compensation for loss of office

Compensation for loss of office in respect of 67 employees totalled £244k (2021: £1,536 in respect of 188 employees). An analysis of the categories of termination benefits provided is set out below:

Category	2022 £'000	2021 £'000
Redundancy	115	224
Payment in Lieu of Notice (PILON)	106	436
Termination Payment	23	876
Total Compensation for loss of office	244	1,536

Notes

i) The University pays statutory redundancy only.

ii) When an employee is to leave the University, it is often not practical nor desirable that the employee continues to have access to University systems or premises. In those circumstances it is deemed appropriate to pay the employee PILON and not require them to work their notice. Each employee is assessed on a case-by-case basis.

iii) In certain cases, it is deemed appropriate to make payment to an employee to terminate their employment with the University, over and above any redundancy and PILON. Each employee is assessed on a case-by-case basis with legal advice being sought as required.

iv) An employee may have any or all the above categories in their final pay.

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 arm's length and are not payments to the individuals listed:

Organisation	Member	Receipts	Debtors	Payments	Creditors
		£	£	£	£
Academic Health Sciences Network for the North-East and North Cumbria	Charlotte Clarke	15,000	0	0	0
Atom Bank plc	Cheryl Millington	7,915	0	0	0
AUA Consulting	Alison Blackburn	0	0	1,474	0
Centre for the Process Innovation Ltd	Nigel Perry	3,672	0	1,459	0
CPI Innovation Services Ltd	Nigel Perry	144	0	0	0
China Britain British Council	Jonathan Bewes	0	0	6,000	0
Durham Cathedral	Andrew Tremlett	35,019	5,988	189,051	1,767
Durham Students' Union	Declan Merrington, Seun Twins	27,053	411	1,013,224	0
English Heritage	Kay Boycott	23,085	0	0	513
Geological Society of London	Colin McPherson	0	0	600	0
Hays plc	Cheryl Millington	0	0	210,723	20,785
Institute of Engineering and Technology	Nigel Perry	0	0	7,294	0
Leverhulme Academy Trust	Alison Blackburn	0	0	7,914	0
Mount Oswald Colleges LLP	Alison Blackburn, James Grierson, Clare O'Malley	147,089	0	6,083,443	4,004,788
N8	Anthony Long	-	-	60,000	0
Natural Environment Research Council	Colin McPherson	798,202	-	46,179	0
Royal Academy of Engineering	Nigel Perry	1,990	1,133	64,200	0
Royal Society of Chemistry	Nigel Perry	2,750	500	680	0
Royal Statistical Society	Camila Caiado	-	-	292	0
Russell Group	Anthony Long	-	-	83,000	0
Savills plc	James Grierson	300	-	55,256	3,030
St Chads College	Jonathan Bewes, Camila Caiado, Simon Hackett, Andrew Tremlett	26,473	16,650	511,549	3,819
UK India Council	Jonathan Bewes	-	-	161,799	7,902
University of Cambridge	Kate Pretty	48,186	100	202,776	30,793

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

The payment for the Mount Oswald Colleges LLP relates to the Mount Oswald Campus Project as detailed in the Accounting Policies narrative to these Financial Statements.

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

9. Analysis of non-staff costs by activity

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Academic and related expenditure	40,369	40,369	32,444	32,444
Administration and central services	6,596	6,596	5,631	5,631
Premises	16,639	16,639	12,307	12,307
Residences, catering and conferences	21,604	21,604	17,084	17,084
Research grants and contracts	11,921	11,921	8,416	8,416
Student and staff facilities and amenities	12,899	12,899	5,687	5,687
General educational expenditure	29,074	29,074	25,355	25,355
Miscellaneous expenditure	7,208	6,903	5,591	5,226
	146,310	146,005	112,515	112,150

Other operating expenses include:

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
External auditors' remuneration in respect of audit services	200	200	192	192
External auditors' remuneration in respect of non-audit services	6	6	12	12
Operating lease rentals:				
Land and buildings	10,417	10,417	9,879	9,879
Other	623	623	322	322

Note	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
	10,836	10,836	11,062	11,062

10. Interest and other finance costs

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Loan interest	9,234	9,234	9,471	9,471
Net charge on USS pension scheme	22	492	496	496
Net charge on DUPS pension scheme	29	1,110	1,095	1,095
	10,836	10,836	11,062	11,062

11. Taxation

Recognised in the statement of comprehensive income

Current tax

	Consolidated 2022 £'000	University 2022 £'000	Consolidated 2021 £'000	University 2021 £'000
Current tax expense	-	-	-	-
Foreign tax	-	-	-	-
Adjustment in respect of previous years	-	-	-	-
Current tax expense	-	-	-	-

Deferred tax

Origination and reversal of timing differences	-	-	-	-
Reduction in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Deferred tax expense	-	-	-	-

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

(Deficit)/Surplus before taxation	(65,879)	(65,874)	32,567	32,660
UK Corporation tax @ 19% (2021 - 19%)	(12,517)	(12,516)	6,188	6,205
Adjustment in respect of previous years	-	-	-	-
Effect of: Surplus falling within charitable exemption	12,517	12,516	(6,188)	(6,205)
Other differences attributable to subsidiaries	-	-	-	-
Deferred tax movement	-	-	-	-
Total tax expense	-	-	-	-

12. Fixed assets

Tangible assets

Consolidated

Cost or Valuation	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Plant and Machinery £'000	Service Concessions £'000	Assets in the Course of Construction £'000	Total £'000
At 1 August 2021	688,890	1,192	190,450	6,136	11,362	898,030
Additions	-	-	129	6,313	51,467	57,909
Gift of building	8,854	-	-	-	-	8,854
Capitalisation	16,059	-	11,948	-	(28,007)	-
Impairment Adjustment	(495)	-	-	-	-	(495)
Transfer to intangibles	-	-	-	-	(2,862)	(2,862)
Disposals	(1,700)	-	(8,631)	(6,136)	-	(16,467)
At 31 July 2022	711,608	1,192	193,896	6,313	31,960	944,969

Depreciation	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Plant and Machinery £'000	Service Concessions £'000	Assets in the Course of Construction £'000	Total £'000
At 1 August 2021	165,997	44	132,268	-	-	298,309
Charge for Year	15,712	294	16,221	6,136	-	38,363
Gift of building	4,073	-	-	-	-	4,073
Disposals	(2,497)	-	(8,599)	(6,136)	-	(17,232)
At 31 July 2022	183,285	338	139,890	-	-	323,513

Net Book Value

At 31 July 2022	528,323	854	54,006	6,313	31,960	621,456
At 1 August 2021	522,893	1,148	58,182	6,136	11,362	599,721

University

Cost or Valuation	Freehold Land and Buildings	Leasehold Land and Buildings	Plant and Machinery	Service Concessions	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 August 2021	687,433	1,192	190,579	6,136	11,362	896,702
Additions	-	-	-	6,313	51,467	57,780
Gift of building	8,854	-	-	-	-	8,854
Capitalisation	16,059	-	11,948	-	(28,007)	-
Impairment Adjustment	(495)	-	-	-	-	(495)
Transfer to intangibles	-	-	-	-	(2,862)	(2,862)
Disposals	(243)	-	(8,631)	(6,136)	-	(15,010)
At 31 July 2022	711,608	1,192	193,896	6,313	31,960	944,969
Depreciation	Freehold Land and Buildings	Leasehold Land and Buildings	Plant and Machinery	Service Concessions	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 August 2021	163,562	44	132,269	-	-	295,875
Charge for Year	15,712	294	16,221	6,136	-	38,363
Gift of building	4,073	-	-	-	-	4,073
Disposals	(62)	-	(8,600)	(6,136)	-	(14,798)
At 31 July 2022	183,285	338	139,890	-	-	323,513
Net Book Value						
At 31 July 2022	528,323	854	54,006	6,313	31,960	621,456
At 1 August 2021	523,871	1,148	58,310	6,136	11,362	600,827

Notes (Group and University)

The University completed fixed asset capitalisations of £28.0m during the year ended 31 July 2022, including some high value projects noted below:

Local Exhaust Ventilation - £3.0m

Chemistry Building Refurbishment - £2.4m

Residential Summer Works - £4.8m

Capitalisations are significantly less than those in the previous financial year due to the completion of the new Mathematical Sciences and Computer Science Building in December 2020 at a cost of £41.6m.

Gift of Building

These transactions relate to the transfer of the Holliday Building on the Queen's Campus, Stockton, which happened in 1998, but was not previously recognised.

The transfer value of £8,854k has been recognised as a cost and shown separately above, and the depreciation charge from the date of transfer of £4,073k is also shown separately above.

13. Heritage Assets

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

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

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

Acquisitions	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Acquisitions purchased with specific donations	-	-	5	686	65
Acquisitions purchased with University funds	-	-	-	-	-
Total cost of acquisitions purchased	-	-	5	686	65
Value of acquisitions by donation	-	-	45	-	-
Total acquisitions capitalised	-	-	50	686	65

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Balance b/f	37,865	37,865	37,865	37,865
Additions	-	-	-	-
Depreciation charge for year	-	-	-	-
Closing Balance	37,865	37,865	37,865	37,865

14. Intangible assets

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Balance b/f	4,585	4,585	3,501	3,501
Additions	2,862	2,862	1,454	1,454
Amortisation charge for year	(719)	(719)	(370)	(370)
Closing Balance	6,728	6,728	4,585	4,585

The additions during the year relate to the purchase and setup of cloud-based software applications. The amortisation periods vary between four and ten years.

15. Non-current investments

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Investment in joint ventures (a)	-	-	-	-
Investment in associates (b)	51	49	49	49
Investment in subsidiaries (c)	-	1,764	-	1,764
Other investments (d)	264,745	264,745	274,888	274,888
	264,796	266,558	274,937	276,701

a. 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.

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
At 1 August 2021	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Share of surplus retained	-	-	-	-
	-	-	-	-

b. Investment in Associates

The University holds a number of small investments including its minority holding in Mount Oswald LLP, held through its wholly owned subsidiary company, Durham Mount Oswald Limited.

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
At 1 August 2021	49	49	49	49
Additions	2	-	-	-
Disposals	-	-	-	-
Share of surplus retained	-	-	-	-
	51	49	49	49

c. Investment in Subsidiary

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
SmartBioFilm	Dormant company	100% Ordinary Shares
H2CHP	Dormant company	100% Ordinary Shares
Respiratone	Dormant company	100% Ordinary Shares

All of the above companies are incorporated in England and Wales

*These shares are held indirectly through Durham University Investments Limited

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
At cost less impairment				
At 1 August 2021	-	1,764	-	1,764
Additions	-	-	-	-
Disposals	-	-	-	-
Share of surplus retained	-	-	-	-
	-	1,764	-	1,764

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
d. Other Investments				
At 1 August 2021	274,888	274,888	172,150	172,150
Additions	3,816	3,816	90,000	90,000
Disposals	-	-	-	-
Impairments	-	-	-	-
Fair Value Adjustments	(13,959)	(13,959)	12,738	12,738
	264,745	264,745	274,888	274,888

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Other Investments consist of:				
At fair value:				
Market securities	246,809	246,809	257,645	257,645
At fair value:				
Endowment properties	17,745	17,745	17,052	17,052
Group investment in spin-outs	191	191	191	191
	264,745	264,745	274,888	274,888

i) The fair value of market securities is the stock market value at 31 July.

ii) The calculation of the fair value of endowment properties is detailed under Significant accounting estimates and judgements at 20 (b) (ii). A reconciliation between the opening and closing carrying values is detailed below.

iii) There are no restrictions with regard to the disposal or use of the endowment properties, nor any contractual obligations associated with them.

Endowment Properties	£'000
Opening Balance	17,052
Increase in fair value	693
Closing Balance	17,745

iv) Investments in spin-offs are valued at cost.

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.

Pepmotec Ltd ***	24.90% Ordinary Shares
GeoEnergy Durham ***	24.90% Ordinary Shares
Geospatial Research Ltd ***	24.00% Ordinary Shares
OlexSys Ltd ***	22.00% Ordinary Shares
Concept Analyst Ltd ***	20.00% Ordinary Shares
Fitovol Ltd***	20.00% Ordinary Shares
Magnitude Biosciences Ltd	19.26% Ordinary Shares
Geoptic Ltd	16.70% Ordinary Shares
TPH Surveys Ltd	15.00% Ordinary Shares
PB Spectroscopy	15.00% Ordinary Shares
Northern Light Optical	15.00% Ordinary Shares
Nevragenics	13.30% Ordinary Shares
Durham Magneto Optics Ltd	12.75% Ordinary Shares
Gamble De Grussa Ltd	10.35% Ordinary Shares
Nascent Semiconductor	9.75% Ordinary Shares
Lightox Limited	4.35% Ordinary Shares
Gliff Limited (was Intogral)	3.55% Ordinary Shares
Sphera	2.85% Ordinary Shares
Applied Graphene Materials	2.30% Ordinary Shares
Goliath Wind Ltd	2.22% Ordinary Shares
Kromek Group PLC	0.14% Ordinary Shares
P2I Ltd	0.04% Ordinary Shares

*** Not consolidated because at 31 July 2022 the University did not exercise effective control over these companies. Other companies are not consolidated because the level of shareholding is below 20%.

(Deficit)/surplus on investment

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
The (deficit) / surplus on investment comprises:				
Endowment pooled funds	(3,127)	(3,127)	8,519	8,519
Other pooled funds	(11,525)	(11,525)	3,252	3,252
Endowment properties	693	693	967	967
Investments in associates	(154)	(154)	174	174
	(14,113)	(14,113)	12,912	12,912

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000

16. Stock

Goods for resale	271	271	308	308
Development land for resale	-	-	20	-
	271	271	328	308

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000

17. Trade and other receivables**Amounts falling due within one year:**

Research grant receivables	14,325	14,325	12,354	12,354
Other trade receivables	12,954	12,637	10,154	8,404
Prepayments and accrued income	2,456	2,456	1,755	1,755
	29,735	29,418	24,263	22,513

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000

18. Current investments

Short term investment in shares	359	359	513	513
Short term deposits	-	-	25,240	25,240
	359	359	25,753	25,753

	At 1st August 2021	Cash Flows	At 31st July 2022
	£'000	£'000	£'000
Cash and Cash Equivalents (University)	52,641	30,266	82,907
Cash and Cash Equivalents (Consolidated)	52,691	30,509	83,200

19. Cash and cash equivalents

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000

20. Creditors: amounts falling due within one year

Unsecured loans	4,822	4,822	4,541	4,541
Trade payables	14,265	14,265	10,699	10,491
Other creditors	8,003	7,891	6,960	6,960
Research grants received on account	38,363	38,363	36,252	36,252
Social security and other taxation payable	8,155	8,155	5,150	5,150
Accruals and deferred Income	43,036	43,036	35,570	35,570
Service Concession Arrangements	6,312	6,312	6,136	6,136
	122,956	122,844	105,308	105,100

Deferred income

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

	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000

Donations and research grants	1,955	1,955	1,986	1,986
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	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000

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

Derivatives	13,823	13,823	25,996	25,996
Mount Oswald headlease	17,987	17,987	18,360	18,360
Unsecured loans	268,390	268,390	273,364	273,364
	300,200	300,200	317,720	317,720

Analysis of unsecured loans	Consolidated	University	Consolidated	University
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Due within one year or on demand	4,822	4,822	4,541	4,541
Due between one and two years	4,801	4,801	4,541	4,541
Due between two and five years	14,279	14,279	13,622	13,622
Due in five years or more	249,310	249,310	255,201	255,201
Total secured and unsecured loans	273,212	273,212	277,905	277,905
Due within one year	(4,822)	(4,822)	(4,541)	(4,541)
Due after more than one year	268,390	268,390	273,364	273,364

Loans

On 26 July 2004 the University agreed a loan facility with Barclays Bank plc for £90m. 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 22 August 2018 as part of a refinancing deal that included the private placement detailed below, an amendment and restatement agreement was issued and the loan was reduced to £55m, with the option of a £25m revolving credit facility, which as of 31 July 2021 is undrawn.

All the above loans bear interest at SONIA (previously LIBOR) but are subject to interest rate hedging arrangements described below. The balance of these loans at 31 July 2021 total £44.5m.

On 31 December 2021, LIBOR ceased being the representative rate for Sterling and in an announcement on 28 April 2017, the Working Group of Sterling Risk-Free Reference Rates (RFRWG) identified SONIA (Sterling Overnight Index Average) as its preferred near risk-free interest rate benchmark for Sterling. The Reference Rate for all existing Sterling Loans, therefore needed to move from LIBOR to SONIA on or before 'Cessation'.

As SONIA is not a like-for-like comparison to LIBOR in terms of percentage, a credit adjustment spread (CAS) is applied to achieve economic equivalence to LIBOR. The CAS that Barclays applied, was the 5-Year Historic Median (5YHM) announced on 5 March 2021. The 5YHM is the method that has been adopted by ISDA (International Swaps and Derivatives Association) and was the recommended approach for Sterling LIBOR loans transitioning at Cessation by the RFRWG.

Whilst the SONIA + CAS rate is not perfectly aligned to LIBOR, the difference is negligible and as our swaps offset a proportion of the loan, any financial gain/loss relating to the change is expected to be minimal.

On 30 June 2014 loan funding was agreed with the North East Local Enterprise Partnership. The loan is for £10m to support IT infrastructure development including high-performance computing and data management facilities as phase one of a larger project to develop novel complex data handling and laboratory space. The rate of interest is fixed at 1.9% and the loan is repayable over ten years which commenced 30 June 2019. The value of this loan at 31 July 2021 is £8.4m.

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

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

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

Interest rate hedging

Under the terms of a loan taken out in 2010 the University committed to hedging at least 60% of its loan balances and developed and implemented a hedging strategy to achieve this over the term of the loans with additional protection against interest rate fluctuations for an additional 25% of the outstanding balance until July 2020. The hedging instruments in place at 31 July 2021 were as follows:

- £4.5m amortising to nil by March 2027, fixed at 5.66%
- £23.5m amortising to nil by July 2034, fixed at 5.36%;
- £29.5m rising to £30.9m by July 2027 then amortising to £27m by July 2034 and then level until June 2040, fixed at 4.61%;

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	Defined Benefit Obligations (Note 29)	Total Pension Provisions	Fudan Tax Provision	Strike Deductions	Total Other
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2021	54,072	66,644	120,716	1,000	9	1,009
Utilised in Year	(3,392)	-	(3,392)	-	-	-
Interest cost	492	-	492	-	-	-
Additions in 2021/22	90,602	-	90,602	-	-	-
Reductions in 2021/22	-	(34,852)	(34,852)	-	(9)	(9)
Adjustment	9	-	9	-	-	-
As at 31 July 2022	141,783	31,792	173,575	1,000	-	1,000

University	Obligation to fund deficit on USS Pension	Defined Benefit Obligations (Note 29)	Total Pension Provisions	Fudan Tax Provision	Strike Deductions	Total Other
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2021	54,072	66,644	120,716	1,000	9	1,009
Utilised in Year	(3,392)	-	(3,392)	-	-	-
Interest cost	492	-	492	-	-	-
Additions in 2021/22	90,602	-	90,602	-	-	-
Reductions in 2021/22	-	(34,852)	(34,852)	-	(9)	(9)
Adjustment	9	-	9	-	-	-
As at 31 July 2022	141,783	31,792	173,575	1,000	-	1,000

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 2020 valuation of the USS pension scheme, the trustees determined, after consultation with the employers, a recovery plan to extinguish the shortfall by 31 March 2038. The contributions being paid by the employer include an amount designed to recover the deficit, the rates of which are disclosed in Note 29a. In accordance with FRS102 Section 28, a liability is recognised for the contractual commitment to make such deficit contributions, calculated based on the value of deficit contributions over the period of the Recovery Plan discounted to their present fair value using an appropriate discount rate. The increase in the provision includes the amount of recovery contributions payable less the impact of unwinding the discount during the year.

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 29.

Fudan Tax Provision

The £1m relating to the Fudan Tax Provision represents potential corporate, individual income tax liabilities and late payment surcharges arising from the joint DBA programme delivered between Durham University Business School and its partner Fudan University (Shanghai, China). The calculation represents liabilities relating to ongoing programme delivery.

23. Endowment reserves

Consolidated and University	Restricted Permanent	Unrestricted Permanent	Restricted Expendable	2022 Total	2021 Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2021					
Capital	48,876	32,554	11,910	93,340	81,937
Accumulated income	4,320	-	563	4,883	4,476
	<u>53,196</u>	<u>32,554</u>	<u>12,473</u>	98,223	86,413
New endowments	3,210	-	104	3,314	2,124
Investment income	813	124	223	1,160	1,095
Expenditure	(600)	(124)	(421)	(1,145)	(895)
(Decrease)Increase in market value of investments	(2,235)	(393)	(499)	(3,127)	8,519
Increase in market value of properties	-	693	-	693	967
Transfer from General Funds	-	-	-	-	-
Transfer from Restricted reserves	-	-	300	300	-
Total endowment comprehensive income for the year	<u>1,188</u>	<u>300</u>	<u>(293)</u>	1,195	11,810
At 31 July 2022	54,384	32,854	12,180	99,418	98,223
Represented by					
Capital	49,427	32,854	11,589	93,870	93,340
Accumulated income	4,957	-	591	5,548	4,883
	<u>54,384</u>	<u>32,854</u>	<u>12,180</u>	99,418	98,223
Analysis by type of purpose:					
Fellowships	17,001	-	-	17,001	19,234
Lectureships	523	-	3,354	3,877	541
Scholarships and bursaries	18,178	-	281	18,459	17,710
Research support	8,095	-	5,275	13,370	13,812
Prize funds	2,502	-	-	2,502	2,613
Student facilities	8,085	-	3,270	11,355	11,759
General	-	32,854	-	32,854	32,554
	<u>54,384</u>	<u>32,854</u>	<u>12,180</u>	99,418	98,223
Analysis by asset:					
Fixed assets				17,745	17,052
Current and non-current asset investments				68,396	67,709
Cash and cash equivalents				13,277	13,462
				99,418	98,223

24. Connected charitable institutions

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

	College Trusts	Fellowships	Prizes	Scholarships	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance 1 August 2021	2,927	3,466	50	1,834	8,277
Additions	52	-	-	-	52
Income	49	92	1	26	168
Expenditure	(111)	(111)	-	(26)	(248)
Change in market value	(92)	(109)	(2)	(80)	(283)
Closing balance at 31 July 2022	2,825	3,338	49	1,754	7,966
Number of funds	5	2	2	9	18

25. Restricted reserves

Consolidated and University	Unspent Capital Grants	Donations	2022 Total	2021 Total
	£'000	£'000	£'000	£'000
Balances at 1 August 2021	2,669	7,804	10,473	8,821
New grants	197	-	197	1,393
New donations	-	2,687	2,687	1,603
Transfer to capital grants	-	-	-	-
Transfer of previous year donations	-	-	-	21
Investment income	-	93	93	12
Capital grants utilised	-	-	-	(341)
Expenditure	(2,777)	(1,544)	(4,321)	(1,036)
Total restricted comprehensive income for the year	(2,580)	1,236	(1,344)	1,652
Transfer to endowments	-	(300)	(300)	-

At 31 July 2022	89	8,740	8,829	10,473
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Analysis of other restricted funds/donations by type of purpose:

Fellowships	-	822	822	541
Scholarships and bursaries	-	2,530	2,530	2,960
Research support	-	1,298	1,298	1,724
Student facilities	89	3,995	4,084	5,143
Prize funds	-	95	95	105

	89	8,740	8,829	10,473
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26. Financial instruments

Financial assets

Financial assets at fair value through Statement of Comprehensive Income

	Consolidated 2022 £'000	University 2022 £'000	Consolidated 2021 £'000	University 2021 £'000
Listed investments	246,809	246,809	257,645	257,645

Financial assets that are equity instruments measured at cost less impairment

Other investments	191	191	191	191
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Financial assets that are debt instruments measured at amortised cost

Cash and cash equivalents	83,200	82,907	52,691	52,641
Other investments	359	359	25,753	25,753
Other debtors	26,962	26,962	22,508	20,758

Financial liabilities

Financial liabilities measured at amortised cost

Bank overdraft	-	-	-	-
Loans	273,211	273,211	277,905	277,905
Service concessions	6,312	6,312	6,136	6,136
Finance leases	17,987	17,987	18,360	18,360
Trade creditors	14,265	14,265	10,699	10,491
Other creditors	16,158	16,046	12,110	12,110

Credit Risk

The bulk of the University's debtors relate to either tuition fees, the bulk of which is underwritten by the Student Loan Company, or research funding which is covered by contractual arrangements. Any credit risk is deemed to be low.

Market Risk

Listed investments are held at market value and as such are subject to market adjustments. The University portfolio is managed, and investments are held in short, medium and long-term, envelopes to meet the planned needs of the University. The mix of investments in each envelope is selected to meet these identified term needs.

Liquidity Risk

The University holds large cash balances. Whilst there is no anticipated future requirement to liquidate the portfolio of listed investments, this could be achieved if required.

Details of the loan requirements can be found in Note 21. Most of the interest is either fixed or covered by swaps. The bulk of the loans relate to the private placement of £225m. There are covenants around financial performance however any breach will result in a fine rather than a demand for repayment.

27. Capital commitments

	Consolidated 2022 £'000	University 2022 £'000	Consolidated 2021 £'000	University 2021 £'000
Commitments contracted for	32,887	32,887	17,717	17,717

28. Lease obligations

	Land and Buildings	Plant and Machinery	2022 Total	2021
	£'000	£'000	£'000	£'000
Payable during the year	4,281	623	4,904	4,293
Future minimum lease payments due				
Not later than 1 year	4,284	336	4,620	4,293
Later than 1 year and not later than 5 years	16,710	627	17,337	17,205
Later than 5 years	38,097	-	38,097	41,740
Total lease payments due	59,091	963	60,054	63,238

29. Pensions

(a) Universities Superannuation Scheme

The University participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

USS is a multi-employer scheme and is accounted for as set out in the accounting policies

The total cost of contributions charged to the Consolidated Statement of Comprehensive Income is £26,623,000 (2021: £26,875,000) This includes £3,937,569 (2021: £2,253,096) outstanding contributions at the balance sheet date

The 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2020 ('the valuation date'), which was carried out using the projected unit method.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles (uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles)

CPI assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long term difference of 0.1% p.a. from 2040
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post retirement: 1.00% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2020 Valuation
Mortality base table	101% of S2PMA 'light' for males and 95% of S2PFA for females.
Future improvements to mortality	CMI_2019 with a smoothing parameter of 7.5, an initial addition of 0.5% pa and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2022	2021
Males currently aged 65 (years)	23.9	24.4
Females currently aged 65 (years)	25.5	25.9
Males currently aged 45 (years)	25.9	26.3
Females currently aged 45 (years)	27.3	27.7

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 until 31 March 2024 at which point the rate will increase to 6.3%. The 2022 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2022	2021
Discount rate	3.32%	0.91%
Pensionable salary growth	5.00%	3.00%

The employers' contribution rates are as follows:

Effective date	Rate
1 October 2019 to 30 September 2021	21.10%
1 October 2021 to 31 March 2022	21.40%
1 April 2022 to 31 March 2024	21.60%
1 April 2024 to 30 April 2038	21.40%

(b) Durham University Pension Scheme

Introduction

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

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

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

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

Profile of the plan

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

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 March 2021 and showed a deficit of £40.1 million. The deficit was expected to be removed by 31 March 2033 through a combination of additional contributions of 2% of pensionable salary and an additional payment £2.2m per annum by the University. The trustees will monitor progress against this target. The next funding valuation is due to be carried out as at 1 April 2024, at which time progress towards full funding will be reviewed. Over the accounting period the University paid contributions of 22.1% of Pensionable Salaries less member contributions in respect of accrual of benefits for current employees.

The University expects to contribute £4,208,754 for the year commencing 1 August 2022.

Risks associated with the Scheme

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

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

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

Reporting at 31 July 2022

The results of the latest funding valuation at 31 March 2021 have been adjusted to the balance sheet date taking account of experience over the period since 1 April 2021, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method.

Assumptions

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

Main financial assumptions	2022 % per annum	2021 % per annum
RPI inflation	3.20%	3.15
CPI inflation	2.85%	2.85
Long term rate of salary increases	3.35%	3.30
Rate of discount for Scheme liabilities	3.50%	1.65
Increases to pensions in payment (RPI) - minimum 3%	3.70%	3.60
Increases to pensions in payment (RPI) - maximum 2.5%	2.00%	2.00

Current inflationary increases have been considered within the 2022 CPI inflation assumption.

Non-financial assumptions

The most significant non-financial assumption is assumed longevity and the mortality assumptions adopted at 31 July 2021 imply the following life expectancies from age 65:

	2022 years	2021 years
Male currently aged 65	20.9	20.6
Female currently aged 65	23.2	22.9
Male currently aged 45	21.6	21.9
Female currently aged 45	24.3	24.5

The mortality table adopted is the S2PA base 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 2020 core projections assuming a long-term rate of improvement in mortality of 1.25% p.a. a smoothing parameter (skappa) of 7.0 and A parameter of 0.

Scheme assets and expected rates of return

The assets of the Scheme were invested as follows:	2022 £'000	2021 £'000
Equities	41,070	49,115
Absolute return and Multi-asset Credit	31,299	37,189
Liability Driven Investments	29,347	42,976
Property	13,799	11,499
Cash / other	3,810	3,412
	119,325	144,191

	2022	2021
	£'000	£'000
Present value of Scheme liabilities	(151,117)	(210,835)
Fair value of Scheme assets	119,325	144,191
Net liability	(31,792)	(66,644)

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

	2022	2021
	£'000	£'000
Present value of Scheme liabilities at 1 August	210,835	211,642
Current service cost	6,635	6,878
Interest cost	3,493	2,974
Contributions by members	108	92
Actuarial (losses)	(65,023)	(5,134)
Benefits paid and death in service insurance premiums	(4,931)	(5,617)
Present value of plan liabilities at 31 July	151,117	210,835

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

	2022	2021
	£'000	£'000
Fair value of Scheme assets at 1 August	144,191	133,631
Interest income	2,383	1,879
Return on plan assets	(27,855)	8,718
Contributions by employer	6,637	6,429
Contributions by members	108	92
Benefits paid and death in service insurance premiums	(4,931)	(5,617)
Administration costs	(1,208)	(941)
Fair value of Scheme assets at 31 July	119,325	144,191

Analysis of the charge to the income and expenditure account

	2022	2021
	£'000	£'000
Analysis of operating charge		
*Current service cost	(6,635)	(6,878)
Administration costs	(1,208)	(941)
Past service cost	-	-
Operating charge	(7,843)	(7,819)
Analysis of pension finance cost		
Interest income	2,383	1,879
Interest on plan liabilities	(3,493)	(2,974)
Pension finance cost	(1,110)	(1,095)
Total cost	(8,953)	(8,914)

*The Current service cost differs to the DUPS Pension contribution cost at Note 7 on page 79 due to timing differences.

Amount recognised in Other Comprehensive Income

	2022	2021
	£'000	£'000
Return on plan assets	(27,855)	8,669
Experience gains arising on plan liabilities	(2,974)	826
Change in financial and demographic assumptions underlying the plan liabilities	67,997	4,308
	37,168	13,803

Amount recognised in Other Comprehensive Income

	2022	2021	2020	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of assets	119,325	144,191	133,631	125,472	115,528	108,623
Present value of scheme liabilities	(151,117)	(210,835)	(211,642)	(178,857)	(159,785)	(157,815)
Deficit in scheme	(31,792)	(66,644)	(78,011)	(53,385)	(44,257)	(49,192)
Experience adjustment on Scheme liabilities	2,974	826	281	6,200	(1,579)	135
Experience adjustment on Scheme assets	27,855	8,669	5,210	7,883	5,192	7,674
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	(67,997)	4,308	(27,643)	(19,227)	4,729	266

(c) NOW Pensions

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

Employer contributions are currently 3% and employees pay 5%. The cost to the University during 2022 was £337,000 (2021: £270,000).

30. Access and Participation

Expenditure 2020/21	2022	2021
	£'000	£'000
Access Expenditure Only	4,782	4,546
Financial Support	5,942	5,483
Disabled Students (including disability support and disability premium)	1,269	1,125
Research and evaluation related to Access Participation	103	109
	12,096	11,263

Despite a turbulent financial year as a result of Covid-19, total income remained broadly in line with forecast and, as a result, so did spend on access and participation.

In our Access and Participation Plan for 2021/22, our target total spend for access, participation and success was set at approximately £9.77m, of which £4.235m and £5.5m were the specific targets for access and financial support respectively. Both targets have been exceeded. Access expenditure is higher than the previous year and continues to be in excess of target. In person activity resumed in 2022 and therefore a number of activities such as residential summer schools and school visits have taken place as previously planned. As such, the non-staff expenditure for access has increased on the previous year. Staff costs now make up 53% of access expenditure (down from 55% previously). We found success in the return to in person activity and are maintaining effective elements of digital delivery.

Staff costs make up approximately 28% of the total access and participation expenditure at £3.1m. In the case of the research and evaluation related to access participation, the majority of this spend relates to academic research that directly informs our Access and Participations plans. All staff costs are already captured in Note 7.

We continue to find particular success in the recruitment of underrepresented groups though action at the point of admission, such as the extensive use of contextual offers. These measures have been part of a major admissions project, 'Recruiting the Next Generation of Students', which is continuing to give a high access return on the investment. In particular, our internal data for 2022 entry demonstrates a further year of improvement in the proportion of Low Participation Neighbourhood enrolments.

We are committed to focussed outreach activity as set out in our 2020/21 to 2024/25 Access and Participation Plan, published at: durham.ac.uk/about/strategy2020/other/access. This plan does not form part of the financial statements.

31. US Department of Education Financial Responsibility Supplemental Schedule

In satisfaction of its obligations to facilitate students' access to US federal financial aid, Durham University is required by the US Department of Education to present the following Supplemental Schedule in a prescribed format.

The amounts presented within the schedules have been:

- prepared under the historical cost convention, subject to the revaluation of certain fixed assets
- prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition)
- presented in Pounds Sterling (GBP).

The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America.

Primary Reserve Ratio		Year ended 31 July 2022	Year ended 31 July 2021
		£'000	£'000
<i>Page</i>	<i>Related Note</i>		
-	- Net Assets without Donor Restrictions	338,432	366,694
-	- Net Assets with Donor Restrictions	108,247	108,696
100	23 Funds Restricted in Perpetuity	(54,384)	(53,196)
100	23 Term Endowments	(12,180)	(12,473)
100	23 Life Income Funds	(32,854)	(32,554)
89	12 Property, Plant and Equipment	(621,456)	(599,721)
-	- Lease - Right of Use (net)	-	-
98	22 Pension Liability	173,575	118,467
96	21 Placement Loans	225,000	225,000
96	21 Lines of Credit for Long-Term Purposes	43,390	48,366
-	- Lease - Right of Use Asset Liability	-	-
86	8 Related Party Receivables	(9)	-
		167,761	169,279
	Total Operating Expenses	532,686	373,797
	Primary Reserve Ratio	0.3149	0.4529

Equity Ratio		Year ended 31 July 2022	Year ended 31 July 2021
Page	Related Note	£'000	£'000
-	- Net Assets without Donor Restrictions	388,432	366,694
-	- Net Assets with Donor Restrictions	108,247	108,696
-	- Goodwill	-	-
86	8 Related Party Receivables	(9)	-
		446,670	475,390
Total Assets		1,044,410	1,020,143
Equity Ratio		0.4277	0.4660
Net Income Ratio		Year ended 31 July 2022	Year ended 31 July 2021
Page	Related Disclosures	£'000	£'000
70	SOCI Change in Net Assets without Donor Restrictions	338,432	366,694
	Net Assets with Donor Restrictions	108,247	108,696
	Related Party Receivables	(9)	-
		446,670	475,390
-	- Total Operating Revenue - Unrestricted	468,545	393,480
-	- Less Investment Return Appropriated for Spreading	-	-
70	SOCI Less Sale of Fixed Assets	202	(27)
		468,747	393,453
Net Income Ratio		0.9529	0.8276

32. Post Balance Sheet Events

On 31 August 2022, the University purchased Boldon House for £4.3m, a building on a nearby business park, though remote from the rest of the Durham campus. It is the intention to remove all support services to this site over the next few years thus freeing up more space on the main campus for teaching.


On 31 October 2022, the University purchased The Sands for £84.0m, a building located on the Durham riverbank within the city. It is the intention to refurbish this building and relocate the Durham University Business School.



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