

ANNUAL REPORT AND FINANCIAL STATEMENTS



2017-18



VISION

Teesside will be a leading university with an international reputation for academic excellence that provides an outstanding student and learning experience underpinned by research, enterprise and the professions.

MISSION

Teesside University generates and applies knowledge that contributes to the economic, social and cultural success of students, partners and the communities we serve.

Through education enriched by research, innovation, and engagement with business and the professions, we transform lives and economies.

VALUES

At Teesside University we seek to enhance the experience of all our students, staff and external partners by:

- > delivering excellence in learning, research and enterprise
- > empowering individuals and teams to enhance their contribution to the University
- > fostering creativity, enterprise and innovation
- > embracing diversity and actively opposing prejudice
- > communicating openly, honestly and respectfully at all times
- > committing to sustainability and the protection of our environment
- > taking responsibility and demonstrating leadership.

CONTENTS

04	Foreword from the Chairman and Pro-Chancellor
05	Introduction from the Vice-Chancellor and Chief Executive

THE UNIVERSITY

06	Introduction
07	Teesside University in Numbers
08	About the University
10	Teesside 2020: Corporate Strategy 2015-20

STRATEGIC REVIEW

12	Learning, Teaching and Student Experience
14	Research and Innovation
16	Enterprise and Business Engagement
18	International
20	Resources and Business Management
24	Financial Highlights and Chief Operating Officer Overview
30	Risk Management and Principal Risks

GOVERNANCE

31	Public Benefit Statement
34	Board of Governors
35	Statement of Corporate Governance and Internal Control
38	Responsibilities of the Board of Governors
40	Independent Auditor's Report to the Board of Governors of Teesside University

FINANCIAL STATEMENTS

43	Statement of Accounting Policies
47	Consolidated and University Statement of Comprehensive Income and Expenditure
48	Consolidated and University Statement of Changes in Reserves
50	Consolidated and University Balance Sheet
51	Statement of Consolidated Cash Flows
52	Notes to the Financial Statements

FOREWORD

from the Chairman and Pro-Chancellor

Over the last 12 months, our University has continued to flourish regionally, nationally and globally. We remain committed to being an anchor institution in the Tees Valley and the North East, and to delivering an outstanding student and learning experience.



Teesside University has been at the heart of higher education and skills in the Tees Valley for over 85 years and continues to have a positive impact on the North East, working in partnership with key institutions, authorities and local businesses across the region to enhance the economic landscape for the future.

Our dedication to providing an exemplary student and learning experience has been recognised in the achievement of awards and reflected in numerous rankings throughout the year, including, most importantly, those voted for by our students.

The rise of the University in acclaimed league tables has seen the global standing of the institution improve significantly, attracting new highly reputable overseas partners and new students from across the globe.*

Our commitment to supporting improvement, whilst maintaining a competitive financial position has allowed us to retain our track record of strong financial performance with excellent 2017-18 financial results. This will ensure the financial position of the University remains robust and resilient moving forward.

We continue to enhance our campus to provide innovative and productive learning spaces and the refurbishment of Teesside University Business School will enhance this learning offer.

In the face of a challenging higher education landscape, including a more regulated and competitive market environment, the Board of Governors continues to pay close attention to our risk management processes to ensure the University is suitably prepared to face these challenges, whilst maintaining a globally competitive position.

I would like to express my thanks to our University Chancellor, Paul Drechsler, for his hard work and commitment to Teesside

University over the past 12 months. His wealth of experience in enterprise and driving innovation complements the University's drive to excel in these areas, and will be of great benefit to the University in facing the changeable political and economic climate ahead.

I am also pleased to welcome a number of new members to our Board. From our internal staff base we have welcomed Andrew Richardson, President (Activities) of the Students' Union and Marion Grieves, Dean, School of Health & Social Care.

As we continue to work hard towards our goals as set out in the University's Corporate Strategy, I am confident we will build on the foundations of success laid over recent years, to shape the future of the University and realise our vision.

Alastair MacColl
Chairman and Pro-Chancellor

* Find out more: tees.ac.uk/source.



INTRODUCTION

from the Vice-Chancellor and Chief Executive

Teesside University's performance over the last few years is something we can all be proud of. Our focused and ambitious Teesside 2020 Corporate Strategy has allowed us to seek out opportunities to thrive and be the best we can be for our students. In identifying clear strategic priorities, we have built a robust foundation to deliver an outstanding student and learning experience.

I am immensely proud of the University's achievements in the last 12 months and delighted to see our hard work and commitment recognised in many areas. This year, as a result of delivering on our objective of an outstanding student and learning experience, we have improved our position in all major global university rankings. In the *Times and Sunday Times Good University Guide 2019* we were ranked 85th out of 132 UK institutions.* The University has also moved up nine places on last year to 92nd in the *Complete University Guide 2019*, making Teesside the highest climber across the five North East universities.* Following last year's success in the *Guardian University Guide*, we have continued to build on this performance, ranking joint 68th out of 121 institutions*, a very respectable position.

We have also been featured for the first time in the *Times Higher Education (THE) Young University Rankings 2018*, which provides a comprehensive list of the world's best universities aged 50 years or under.*

This continued positive trajectory is evidence that our path of continuous improvement, striving for excellence in all that we do, is working. We will continue to forge new quality partnerships across the globe, contribute to society and the regional, national and global economy, and most importantly continue to deliver an exemplary student and learning experience.

We put students at the heart of everything we do and this too has been recognised over the last 12 months. Our National Student Survey 2018 results continue to improve, this year recording a further increase to 84%.* In the Whatuni Student Choice Awards 2018, our students placed us 15th out of 126 higher education institutions in the University of the Year category, climbing 51 places on 2017.*

In addition, we have achieved our highest ever international student satisfaction results, placing us at number one of 120 world universities for overall average satisfaction.*

We continue to invest in our campuses and have spent £270m over recent years to enhance the learning environment, encouraging our students to question, innovate and challenge themselves. The refurbishment of Teesside University Business School, opened in September 2018, will contribute to this learning environment and will elevate the global reputation of the University. A further £300m is also planned between 2017 and 2026, demonstrating our commitment to provide world-class learning experiences aligned with the education of the future.

Looking ahead, our University will continue to strive for excellence across all areas, enhancing our global performance and reputation. We will continue to celebrate our achievements and provide an outstanding student and learning experience underpinned by research, enterprise and the professions.

Professor Paul Croney
Vice-Chancellor and Chief Executive

* Find out more: tees.ac.uk/source.

THE UNIVERSITY

Introduction

The University is a member of the University Alliance, the established UK higher education mission group of universities committed to the UK's cities and regions. Working alongside these institutions, Teesside has taken a leading role in widening participation, delivering excellence in the teaching and student experience, applied research, working with industry and the professions, and driving economic, cultural and community success.



The University has celebrated a number of league table successes throughout the year. In the *Complete University Guide*, we moved up nine places on last year to 92nd*, once again making Teesside the highest climber across the five North East universities.

Our upward trend follows the recent success in the Whatuni Student Choice Awards 2018. The awards are based solely on student feedback and placed Teesside University at 15 out of 126 higher education institutions in the University of the Year category.*

The results of the *Complete University Guide* and Whatuni Student Choice Awards build on additional national league table success which saw Teesside University ranked 85th out of 132 UK institutions in the *Times and Sunday Times Good University Guide 2019* and ranked joint 68th out of 121 institutions in the *Guardian University Guide 2019*.*

The University is also a proud member of the Athena SWAN charter and features in Stonewall's top 100 UK employers.*

* Find out more: tees.ac.uk/source.

Teesside University in Numbers

2,375

Total number of staff in 2018.

£13.0M

Our average annual cash surplus over the last five years, which we continuously reinvest into the University. This is supported by a strong balance sheet and minimal borrowing.

530+

Through our on-campus business support, our graduates have launched over 530 new businesses, creating over 730 jobs.

18,377

Total number of students (based on 2017-18 HESA student records).

We have invested over £295m, from cash reserves, on our campuses to create an excellent modern and innovative learning environment.

£295M+

0.1%

Debt of 0.1% of total income

100,000

We have more than 100,000 active alumni from over 100 different countries, as part of a larger global community of Teesside graduates.

Students studying in overseas partner institutions.

£4.2M

The amount of money we gave to our students in bursaries and scholarships.

954

About the University

Teesside University is a well-regarded, financially strong institution, recognised regionally and nationally for the transformative impact it has on the communities it serves. It is a catalyst for economic, social and cultural development.

Teesside University is a dynamic and modern institution dedicated to delivering opportunities for quality scholarship enriched by engagement with research and with industry and the professions. The University derives income from a wide variety of sources, but the majority of its funding comes from three sources: tuition fees; grants from the Office for Students (OFS) and its predecessor the Higher Education Funding Council for England (HEFCE); and contracts with the National Health Service (NHS).

Teesside University is an exempt charity under the terms of the Charities Act 2011. It is regulated by the OFS, which has been appointed the principal regulator of higher education institutions (HEIs) and succeeded HEFCE from 1 April 2018.

History

Teesside is the only university wholly based in the Tees Valley area and has its origins in the period after World War I. Joseph Constantine, a local shipping magnate, made a gift to the town to stimulate the establishment of a technical college, formally opened by the Prince of Wales in 1930, to support Middlesbrough's booming engineering and shipping industries.

In 1969, the college became Britain's 13th polytechnic, and by 1970 the student population had grown to 3,000. Major redevelopment included the building of Middlesbrough Tower. The Clarendon Building followed in 1973, the Stephenson Building in 1976 and in 1978, Teesside Polytechnic merged with Teesside College of Education and the campus continued to expand.

In 1989, Teesside Polytechnic left local authority control and became a self-governing independent higher education institution. In 1992, the Polytechnic received university status. Subsequent years have been characterised by rapid expansion of student numbers, diversification of our teaching and learning programmes, and continuous enhancement of the University's reputation.

The University's Centre for Professional and Executive Development, housed at the Darlington campus, clearly states our high level of commitment and engagement to developing the relevant skills and knowledge required to build regional growth and economic prosperity.

In addition, in September 2014, the University acquired mima (Middlesbrough Institute of Modern Art), an internationally renowned TATE+ gallery, further underlining Teesside's contribution to the successful development and celebration of culture on a regional, national and international scale, and extending the footprint of the University campus.

The University has invested more than a quarter of a billion pounds on its campuses in recent years and has committed to investing an additional £300m between 2017 and 2026 to further enhance the experience of all our students, staff and partners.

The remainder of the campus masterplan will focus major investment on further enhancing the student experience through:

- > a central hub for student support
- > development of teaching facilities to enable the delivery of enhanced pedagogies
- > enhancement of the quality, quantity and diversity of open access learning space provision
- > improvement of the quantity and quality of student accommodation
- > delivery of a more consistent, high-quality public realm and reduction of car parking on campus.



Accolades

Teesside University has received a number of accolades in recognition of its achievements and progress including:

- > ranked 15th in the UK out of 126 universities in the University of the Year category, climbing 51 places on 2017 (The Whatuni Student Choice Awards 2018)*
- > ranked 27th out of 132 UK institutions for Teaching Quality (*The Times and Sunday Times Good University Guide 2019*)*
- > ranked joint 34th out of 116 UK universities for student experience (*Times Higher Education Student Experience Survey 2018*)*
- > ranked 35th out of 132 UK institutions for graduate prospects (*The Times and Sunday Times Good University Guide 2019*)*
- > included in the *Times Higher Education World University Rankings 2018* list of the top 1,000 universities in the world*
- > ranked joint 28th out of 116 UK universities for academic experience (*Times Higher Education Student Experience Survey 2018*)*
- > shortlisted three times as the *Times Higher Education Entrepreneurial University of the Year**
- > nine National Teaching Fellowships
- > UK Higher Education Quality Assurance Agency approved (2017)
- > Investors in People Gold status at 'whole Institutional level' (2018)*
- > silver rating in the government's new Teaching Excellence Framework (TEF)
- > shortlisted for the very first Global Teaching Excellence Awards, which recognise outstanding leadership, teaching and student support.*

* Find out more: tees.ac.uk/source.



AN INTERNATIONAL REPUTATION FOR ACADEMIC EXCELLENCE

Teesside 2020

CORPORATE STRATEGY 2015-20

Teesside 2020 sets out the vision for the University that raises the aspiration and ambition to be an international university at the heart of the Tees Valley with a reputation for academic excellence. The University will respond to the challenges and opportunities facing universities over the next two years and build Teesside's brand and reputation both nationally and internationally.

Teesside University has a clear focus on developing and enhancing our academic aspiration enriched by research and engagement with business and the professions. We believe passionately in delivering an outstanding student experience in a thriving learning environment. In doing so we will build the Teesside University brand and reputation both nationally and internationally through our academic portfolio, research and partnerships.

We have set out a programme of transformation over the next two years that will drive academic ambition and deliver excellence for our students, partners and communities we serve.



We aim to achieve regional, national and international recognition as the UK's leading university for a changing world, and to be amongst the UK's top institutions of higher education in relation to providing:

- > a stimulating learning environment and innovative curricula that provide an outstanding student and learning experience
- > an international reputation for academic excellence
- > an education enriched by research, innovation, and engagement with business and the professions
- > an increase in the volume and quality of world-leading and internationally excellent research
- > an increase in the numbers of graduate placements and employability rates.

University Strategic Aims and Outcomes

1

LEARNING, TEACHING AND STUDENT EXPERIENCE

To be the preferred choice for a diverse range of students and professionals by providing a stimulating learning environment and innovative curricula that provide an outstanding learning, teaching and student experience.

RESEARCH AND INNOVATION

To achieve an increase in the volume and quality of world-leading and internationally excellent research in selected areas of strength that informs learning and teaching, partner activity and knowledge transfer.

2

ENTERPRISE AND BUSINESS ENGAGEMENT

To provide client-focused knowledge services for industry, businesses and the professions that inform student learning and research to support innovation, regeneration and economic growth.

3

INTERNATIONAL STRATEGY

To be an international university with a global network of partnerships that attracts high-quality students and staff from across the world.

4

RESOURCES AND BUSINESS MANAGEMENT

To ensure the University is financially resilient, sustainable and investing significantly in the student experience. Strategic and professional services are best in class, fully supporting the student experience and driving University business management and commercial activities through a model of service excellence.

5

STRATEGIC REVIEW

Learning, Teaching and Student Experience

Our aim is to be the preferred choice for a diverse range of students and professionals by providing a stimulating learning environment and innovative curricula that provide an outstanding student and learning experience.

Delivered through a Learning and Teaching Strategy and underpinning strategic projects we aim to:

- > **create a learning culture and innovative curricula** with inspirational teaching informed by research, employer engagement and the professions
- > **collaborate with employers and organisations** to develop graduate skills, work experience and relevance to ensure real-world impact
- > **create a stimulating learning environment** that provides the space, facilities and technology for effective learning and personal development
- > **develop professional high-quality staff** that deliver to student expectations.

Learning and teaching

Building on our distinctive heritage in learning and teaching, we remain committed to educating our students to become confident, critical, creative, adaptable, articulate and aspiring by developing an inspiring curriculum and learning environment, underpinned by research and industry. We have continued to review and enhance our portfolio to ensure that our offer remains relevant and exciting. New course developments include a BA (Hons) 2D Animation which has recruited well and been praised by Aardman Animation, a BSc (Hons) Animal Science and Welfare, an LLB (Hons) Law with Policing and the creation of a series of business courses which allow students to study business combined with other specialist areas. At postgraduate level, new developments include an MSc Advanced Home Futures with The Ministry of Building Innovation and Education, a Doctorate of Professional Practice and a new MBA. In addition, a new digital learning team has been established, enabling us to build experience and capacity and develop a high-quality online learning portfolio.

This year, we introduced an ambitious future facing learning framework, with the purpose of helping our students succeed in a complex and ever-changing world. Central to shaping the Teesside University graduate, the framework ensures that courses focus on students being future ready, socially and ethically engaged, globally connected and digitally empowered. As part of this framework, we are introducing a newly developed personal tutoring code.

Through the future facing digital learning programme over 400 academic staff have taken part in training designed and delivered in partnership with Microsoft. This innovative programme has provided us with a unique opportunity to review our approaches to teaching and develop a skills base that will enable us to transform our teaching through digital innovation.



Student experience

As in previous years, we have once again achieved high levels of student satisfaction, both in the National Student Survey, where our overall satisfaction increased by 3% to 84% in 2018,* and *The Times Higher Education* Student Experience Survey 2018, where we were ranked 34 out of 116 institutions.*

Putting students at the heart of everything we do remains a core value and we are continuing to deliver a diverse range of ambitious projects that ensure an enhanced, learner-centred student experience.

In 2018, we launched a bold Student Voice campaign to highlight the opportunities for students and staff to work together in partnership to enhance the learning experience across the University, identifying not only where we can improve, but also what we are doing well. The Student Voice campaign encompasses a wide range of activities including surveys and events such as the Student Voice day at the Students' Union and the Student Voice Learning and Teaching Enhancement conference. In addition, we introduced a new module evaluation system, which enables us to actively engage students in discussions around their learning. To date 20,000 responses from students have provided feedback through the online system, with a further 3,000 responses through paper-based surveys generated through the system. This feedback has resulted in the creation of module reflections, which can then be disseminated to our student body and used to inform future curriculum developments.

Building on previous campus developments, further investment has been made in our facilities and services including a bespoke and innovative digital classroom, improved sports facilities and the creation of social learning spaces for staff.

Recognising the diverse experiences and lifecycles of our students, we have worked with consultants to map our student journeys and experiences, which will enable us to improve services for all students going forward. This work is complemented by the Student Portal, which was launched in 2017 as a centrepiece to the Learning and Teaching Digital Transformation programme. The portal has been extremely well received by students; this academic year around 13,000 students have used the portal and feedback from focus groups highlights that the portal is already changing the way we communicate with students. Further enhancements to the portal are planned in the coming year, along with the introduction of the new Advance scheme which will see all first-year undergraduate students receive an iPad. Enhancing digital connectivity, these initiatives will enable our students to engage with innovative 21st-century learning approaches and tailored information specific to their learner experience.

Quality

Robust quality systems and outstanding staff underpin our excellence in learning and teaching. We have introduced a system of continuous monitoring and enhancement (CME). Utilising continued reflection, the CME process reviews our provision against established standards with a view to further enhancing the student experience. A key component of CME is our new module evaluation system, which ensures a joined-up approach from module to institutional level. This year, in addition to CME, we have also undertaken a pilot subject-level Teaching Excellence Framework exercise.

Our strategic approach to learning and teaching continues to be underpinned by a sustained commitment to staff excellence supported by a diverse range of continuing professional development activities including our recently established Doctorate of Professional Practice and our Learning and Teaching Enhancement conferences, which were once again well attended by both staff and students.

Teesside University College Partnership

We have worked successfully with further education colleges in the region for the past 20 years. Consolidating these relationships, we have recently established a new strategic partnership with Darlington, Hartlepool, Redcar & Cleveland and Stockton Riverside Colleges. This partnership provides even greater access to higher education opportunities in the Tees Valley, bringing together teaching excellence and providing stimulating courses that meet the needs of the local and regional economy and inspire the next generation of employees.

Key successes in 2017-18

- > Established innovative partnership with Microsoft.
- > Ranked joint 68th out of 121 institutions in the *Guardian University Guide* 2019.*
- > Risen 51 places in the WhatUni Student Choice Awards*.
- > Ranked joint 34th out of 116 UK universities for student experience in the *Times Higher Education* Student Experience Survey 2018.*
- > Established Teesside University College Partnership.

* Find out more: tees.ac.uk/source.



INTEGRATE RESEARCH INTO TEACHING AND KNOWLEDGE TRANSFER

Research and Innovation

Our aim is to achieve an increase in the volume and quality of world-leading and internationally excellent research in selected areas of strength that informs learning and teaching, partner activity and knowledge transfer.

Delivered through the Research and Innovation Strategy we aim to:

- > **develop high-quality research** in selected disciplines and cross-disciplinary themes that has real-world impact
- > **integrate research** into teaching and knowledge transfer to develop real-world application
- > **use research to support scholarship and personal development** for every member of academic staff
- > **grow** postgraduate study and research skills.

Grand Challenges

Building on the University's Grand Challenges research themes, launched in 2017, we have continued to focus on supporting multi and interdisciplinary solutions to address key global societal challenges of our time. Over the last year particular attention has been paid to developing the Grand Challenges as a vehicle to effectively use our expertise to support the new UK industrial strategy. As part of our commitment to develop interdisciplinary research, significant investment has been made in selected areas of research excellence as focal points for the Grand Challenges, in particular to build capacity and establish new research teams to substantially accelerate growth in these activities.





Research culture and environment

In the last 12 months we have continued to strengthen the environment for research to thrive, investing not only in areas of research excellence but also in a range of mechanisms which support the development of a sustainable, diverse, inclusive and supportive research community that staff are encouraged to engage in.

The number of staff engaged in research across the University continues to grow and we have introduced a range of programmes to support staff throughout their careers, including a new Researcher Development Programme, Research Leadership Programme and a Professional Doctorate Programme. Academic staff are now expected to develop individual research plans which are subsequently recognised within workloads. Along with the career development opportunities available, these mechanisms are empowering staff to think more aspirationally about their longer-term contribution to the research of the University.

The new Academic Promotion Pathways Programme, launched in 2017, has been extremely successful with 41% of the 17 staff applying gaining promotion. It is particularly pleasing to note the positive impact the introduction of the scheme has had on female academic staff; 65% of candidates were female (27% of who applied for a professorship) and 86% of those conferred were female (including one conferment to professor).

The extensive range of opportunities and support provided for research staff has ensured that Teesside University has retained the HR Excellence in Research Award which acknowledges the institution's alignment with the principles of the European Charter of Researchers and the Code of Conduct for their recruitment.

A review of how the University administers research income has been undertaken and subsequent changes made to empower Schools to manage their research income and incentivise overhead recovery. Since the formation of Research and Innovation Services and implementation of these new processes, bidding activity to external funders in the last 18 months has significantly improved. In 2017-18 Teesside University has secured £5.6m from 38 successful awards, compared with £1.57m in 2016-17.

Developing a sustainable and inclusive community requires a cultural step change in the institution, which is beginning to take place. Aligned to the University's ongoing commitment to Equality, Diversity and Inclusion we are a member of the Athena SWAN charter and have been conferred for an Athena SWAN Bronze award. The actions detailed within the submission will support the development of an inclusive and supportive research community.

Furthermore, we have reviewed our internal research assessment processes and signed up to the San Francisco Declaration on Research Assessment, placing more emphasis on quality research rather than volume and ensuring factors such as career breaks/reduced hours do not negatively impact on research careers.

Evaluation of research

The Research Excellence Framework (REF) 2014 affirmed that the majority of research submitted by Teesside University was judged to be world-leading or internationally excellent, although this was based on a relatively small number of researchers. Building on this, our aim has been to substantially increase the number of staff with significant research activity from the 87 returned to REF in 2014 to around 180 in 2021 and to correspondingly increase our research power. In preparation for REF 2021, the quality of our research outputs was recently reviewed. The review highlighted that excellent progress is being made – the volume of research outputs has increased with 2,367 outputs added to TeesRep between 2015-18, 170.46 FTE were modelled in the review and the overall research quality graded by our external evaluators at 2.62 compared with 2.55 in REF 2014.*

Research students

Central to our plans to build research capacity is the growth of our PhD research student numbers, many of whom will be the next generation of academic staff. Growing our capacity of high-quality PhD supervision is also integral in the new Staff Researcher Development Programme, and includes both formal training and opportunities for potential supervisors to shadow supervisory teams.

We have developed a new cross-university programme of research training for our PhD community and have continued to engage successfully with a variety of external organisations to provide the highest quality research training opportunities. The University is a member of a number of Research Council doctoral training programmes and continues to be heavily committed to the University Alliance Doctoral Training Alliance (DTA), recently hosting summer schools for the Social Policy and Energy DTAs. A particular highlight of this year has been the securing of £870,000 of funding for doctoral training of international students through the EU CO-FUND programme.

Key successes in 2017-18

- > £5.6 million new research awards secured.
- > 170 FTE staff included in 2018 research review.
- > £870,000 CO-FUND funding secured.
- > HR Excellence in Research Award retained.
- > Two professors and four readers promoted through the new Academic Promotions pathway.

* Find out more: tees.ac.uk/source.

Enterprise and Business Engagement

Our aim is to provide client-focused knowledge services for industry, businesses and the professions that inform student learning and research to support innovation, regeneration and economic growth.

The priorities for Teesside University in its role as an anchor institution are to support:

- > **rebalancing of the regional economy** from a reliance on public sector to private sector jobs
- > **diversification in the regional economy**, building on strengths in advanced manufacturing and engineering, digital and computing, low carbon technology, logistics, and the process and chemical industries
- > **improving the innovation performance of businesses** ensuring that our research drives innovation, regeneration and economic growth
- > **the creation of start-up businesses** and ensuring 16-24 year olds see entrepreneurship as a potential career choice
- > **nurturing scale-ups** and helping the companies with the greatest potential to grow
- > **improving the skills and employability** of our graduates and the workforce to support business growth.

To help fulfil this role, Teesside University has collaborated closely with Tees Valley Combined Authority (TVCA) and a wider range of partners in establishing initiatives designed to drive innovation and growth. This year we have made significant progress on several projects to ensure the region capitalises on its many strengths, including the National Horizons Centre, DigitalCity and Innovate Tees Valley.

These and other activities make a significant contribution to the region, including supporting a total of 1,943 FTE jobs (gross) across the Tees Valley annually. An economic impact analysis undertaken in 2017-18 revealed that, in 2016-17, the University generated human-capital impacts of approximately £1.3bn.

Two new imaginative offers for chief executive officers and business leaders whose companies demonstrate capacity and appetite for growth were launched this year:

DigitalCity SCALE is a three-month programme designed specifically for businesses in the digital and technology sectors showing high growth and potential for scaling. The second cohort completed the programme in July 2018, and a third is scheduled for autumn 2018.

LEAP 50, a major initiative launched with TVCA in June, will help ambitious Tees Valley business leaders meet the challenge of accelerating growth through an innovative programme providing knowledge, experience and personal leadership development alongside practical ways of unlocking barriers to growth.

For smaller companies just beyond the start-up stage, the Leading Growth programme continued to provide tailored leadership development in 2018, through action learning, peer group support and growth of its alumni network.

National Horizons Centre

Following the award of £20.6m in grant funding (from TVCA and the European Regional Development Fund), building work on Teesside University's flagship National Horizons Centre (NHC) began in February 2018.

At the heart of a cluster of excellence on Darlington's Central Park, alongside the National Biologics Manufacturing Centre and the University's Centre for Professional and Executive Development, the NHC will catalyse the growth of the UK bioscience sector by delivering outstanding technical, leadership and digital skills developed in partnership with industry, underpinned by world-class research, innovation and teaching.

Its imaginative design includes an exciting blend of teaching, learning and collaboration spaces, together with hi-tech laboratories and a state-of-the-art computing suite.

The project has already delivered a significant boost to local training and employment since construction began, including seven new jobs, support for four apprenticeships on site and more across the supply chain, 23 work placements, and site visits and education workshops. The construction company, Wates, is placing specific emphasis on encouraging women into the industry. (Source: Wates CSR Report, October 2018)

As part of its NHC development work, the University secured grant funding for two significant related initiatives during 2018. Powering Growth in the Bioscience Sector, funded by the Office for Students Catalyst Fund, is developing continuing professional development in both scientific disciplines and leadership and management for companies in the bioindustries. THYME, a major five-year collaboration between York, Hull and Teesside Universities funded by Research England, will promote and develop knowledge exchange in the bioeconomy of Tees Valley, Yorkshire and Humberside.

The NHC is due for completion in March 2019.

DigitalCity

DigitalCity supported over 70 businesses during the year, through SCALE, 12 fellowships, and cluster and innovation services. It was featured for the second year running in the Annual Tech Nation report highlighting the leading digital clusters in the UK. The Tees Valley digital cluster now accounts for £304m GVA, while the number of jobs in digital tech grew in 2016-17 by 19.5% with digital tech turnover by employee at £81,000 a year. (Source: Tech Nation Report 2018)

The University was awarded the Knowledge Exchange Initiative trophy for its work on DigitalCity at the 2018 *Times Higher Education* Leadership and Management (THELMA) Awards in June.

Higher and degree apprenticeships

Strategic commitment to higher and degree apprenticeships (HDAs) resulted in over 230 new students enrolled in 2017-18, with the School of Health & Social Care exceeding its targets for the year. Twelve HDAs are now live, with more planned for the future.

The University worked closely with TVCA on the higher-level skills section of the new Regional Skills Strategy, in which student recruitment, HDAs and CPD for employers will play a key role.

Student Futures

The Student Futures Strategy is now embedded across the University, actively driving strategic initiatives to enhance performance in student and graduate employability, enterprise and employment.

This year our Summer Internship programme supported 60 undergraduates with six-week placements. We recorded 18,700 hours of volunteering, with an economic value of £239,000, and the Business School launched a new TU Student Award pilot, designed to capture employability activity and reward student achievement in improving skills.

Teesside University's innovative start-up hub, Launchpad, introduced several new initiatives to stimulate enterprise and entrepreneurial activity, including the MicroBiz Academy, Precious Plastics (a multidisciplinary recycling initiative) and Enterprise Sprint, a four-week programme for student entrepreneurs. A student from the School of Science, Engineering & Design was awarded the University Alliance Enterprise Stars award for an innovative rocket launcher project, which is now being established as a business.

In 2017-18 Launchpad has supported 26 start-ups and created 35 new jobs to date. Figures released in 2018 by the Higher Education Business and Community Interaction Survey show that in 2016-17 estimated turnover of Teesside start-ups was over £20.8m, and that 143 companies founded by Teesside University graduates were still active after three years, placing them amongst the most viable in the country.

The University employability score continued its positive trajectory, with over 90% of graduates recorded in work or further study, and over 54% in graduate-level employment six months after graduation. Our in-house recruitment service offer has now been established, with 285 vacancies advertised during the year and 80 new employers engaged.

Innovate Tees Valley

This innovation programme led by Teesside University helps small and medium-sized enterprises (SMEs) build innovation capacity to break into new markets and sectors with new products and services.

To date, Innovate Tees Valley has supported 232 businesses with tailored support ranging from graduate internships to specialist consultancy.

During the year, the University launched Innovate Durham – a sister programme to Innovate Tees Valley – to help County Durham SMEs innovate and grow.

In 2018, Innovate Tees Valley held another Venturefest, part of a national Innovate UK programme of innovation showcases for businesses and investors, to celebrate our most innovative businesses, stimulate new collaborations and seed new ideas for growth.

Key successes in 2017-18

- > Winner of Knowledge Exchange Initiative of the Year at the *Times Higher Education* Leadership and Management Awards for work on DigitalCity and our wider digital knowledge exchange.*
- > Winner of Enterprising Britain Award 2018: Improving the Business Environment.*
- > Awarded nationally recognised Customer First accreditation for the fifth consecutive time, demonstrating our commitment to excellent business-to-business service.*
- > University Alliance Enterprise Stars winner.*

* Find out more: tees.ac.uk/source.



NEW STRATEGIC PARTNERSHIPS ARE ALSO BEING DEVELOPED IN SRI LANKA AND INDIA – IDENTIFIED AS KEY GROWTH AREAS FOR THE FUTURE.

International

Our aim is to be an international university with a global network of partnerships that attracts high-quality students and staff from across the world.

The priorities for Teesside University in its role as an international university with a global reputation for high-quality provision are to:

- > **attract high-quality students and staff** from across the world, by focusing on regional strengths and global expertise in key disciplines, such as health, animation and business
- > **grow international student numbers** on campus by enhancing our provision and experience to create a culturally diverse learning community
- > **create opportunities** for international experience within the curriculum and promote cross-cultural understanding
- > **grow transnational education** opportunities to facilitate student and staff exchange and diversify income streams
- > **facilitate international research** and knowledge transfer by working collaboratively across portfolio areas to enhance global opportunities.

In order to fulfil its role as an international university with a global network of partnerships, Teesside University has continued to improve in all key development areas of the international portfolio. The work completed over the last 12 months has provided a solid foundation from which to grow the international offer and achieve our goals for this area. International student recruitment has surpassed targets for 2017-18 following the restructure of our India office, aligned international roles in all Schools and new streamlined processes.

Efforts to develop a more collaborative approach to transnational education has seen income generated of over £1.7m and above the target income for the year in this area.

The International Student Barometer 2018, which measures international satisfaction has produced its highest ever result of 94.4%, based on the views of 409 students.*

In the face of external challenges, both in the UK and worldwide, these achievements are significant and contribute to driving the University's performance and reputation as a global brand.

TU Global

The launch of Teesside University's new student mobility programme, TU Global, has already seen an increase in student participation since its introduction this year. Thirty three students from a partner in India visited the campus on a six-week placement with the School of Science, Engineering & Design, and 18 of our on-campus students visited an Indian partner as part of a cultural exchange programme.

Teesside's inaugural International Summer Programme launched in 2018 and as part of this initiative welcomed 34 international students to the campus, to take part in a comprehensive academic and social programme comprising English language sessions and taster programmes offered from all five Schools. This co-ordinated approach has allowed us to showcase the Teesside international offer in a new and exciting way, and also created new international relationships in India and China.

New strategic partnerships are also being developed in Sri Lanka and India – identified as key growth areas for the future.

* Find out more: tees.ac.uk/source.





Vice-Chancellor Scholarships

The introduction of our new prestigious Vice-Chancellor Scholarships received an overwhelming 110 applications from across the globe. With a number of awards to issue, we were able to select the most outstanding students to receive this award with the intention of representing the University during and after their studies. Those offered this sought-after scholarship include students from key markets, subject groups and underrepresented areas.

Strategic partnerships

Following the University's consolidated efforts in establishing a robust platform for international business, we have forged new partnerships in key markets such as Kaplan in Myanmar and Gateway College and BMS in Sri Lanka. Aligned with the strategic approach to partner development, the University has worked collaboratively to evaluate opportunities for cross-School relationships with current and potential partners. Our partnership with MDIS in Singapore now delivers courses from three Schools and discussions are underway to add the other two Schools.

Efforts into maximising opportunities around continuation have also been fruitful, with the CEV partnership now including postgraduate courses in addition to the original undergraduate provision.

The international team continue to evaluate global markets for high-quality opportunities to enhance the Teesside brand, and there are a number of new opportunities to explore over the next 12 months, including India and Thailand.

Global rankings

In the international education arena the global standing of an institution remains a vital component of evaluating performance and quality. The impressive performance of Teesside University over the last 12 months, climbing in all major league tables, allows us to grow in reputation and impact on the global stage. The inclusion in two new rankings from the *Times Higher Education* (Young University Rankings and Europe Teaching Ranking), showcases our expertise in providing an outstanding student and learning experience internationally.*

Key successes in 2017-18

- > Teesside University is ranked number one of 120 world universities for overall average Satisfaction, based on the views of 409 students (International Student Barometer 2017).*
- > Listed in the *Times Higher Education* European Teaching rankings 2018-19.*
- > International students rank us number one in the UK of 31 universities for our Careers Service, Accommodation and our Students' Union, based on the views of 409 students (International Student Barometer 2017).*

* Find out more: tees.ac.uk/source.



Resources and Business Management

The University aims to be a sustainable, ambitious, professional and admired employer.

The strategic aims of the Resources and Business Management (RBM) Strategy are to:

- > **ensure** the financial resilience, sustainability and investment capability of the University
- > **maintain and enhance** effective leadership, recruitment, development and motivation of the workforce
- > **grow** student numbers and revenue on and off campus, and maintain and enhance the Teesside University reputation and brand
- > **deliver and maintain** a high-quality campus and associated infrastructure
- > **develop and deliver** best-in-class strategic and professional services through a model of service excellence
- > **deliver** excellent governance.



2017-18 Resources and Business Management KPI performance

The RBM Strategy is delivered by our professional services (including Campus Services, Student Recruitment & Marketing, Legal & Governance Services, Finance & Commercial Development, Human Resources, and IT & Digital Services) who continue to keep the University safe and sustainable, secure investment and growth, and support academic excellence and the student and graduate experience. Our overall position continues to be strong with 80% of the target key performance indicators (KPIs) set out in the RBM strategy achieved.

KPI	Target	Actual	RAG Rating
Total student enrolments (FTE)	14,031.40	14,028.47	●
Total student enrolments off-campus included in total student enrolments (FTE)	1,676	1,719	●
Minimum annual surplus* as a % of total income	5.0%	9.2%	●
Minimum resources available for investment (EBITDA)/Total income (%)	8%	14.7%	●
Cash balance**	£35m	£51.7m	●
Pay***:Income ratio (%)	56.6%	54.9%	●
Student:Staff ratio (number)	17.0	17.9	●
Services and facilities spend per student	£1,700	£2,465	●
Overall staff satisfaction	95%	87%	●
Maintain Investors in People	Maintain IIP	Gold status	●

* Excluding measurement adjustments for defined benefit pension schemes and holiday pay |

** Including amounts on deposit | *** Adjusted for defined benefit pension schemes, restructuring costs and holiday pay

Strategic Transformation and Change

An exciting development has been the introduction of our Strategic Transformation and Change (STC) programme, which is led by the newly established STC team. Developed to support the delivery of Teesside 2020 and our key strategic aims, the STC programme is a suite of projects (covering all portfolio areas) that ensure we provide an outstanding student and graduate experience that is based on both academic and service excellence, as well as strong engagement with our students. Our ambitious programme will be realised through a co-ordinated and holistic approach resulting in a strategic step change in University activities and seeking continuous improvement across the University.

Campus developments

Reinforcing our commitment to providing an outstanding student and learning experience, we have continued to invest significantly in developments that transform our campus and local community, bringing to life the vision outlined in our ambitious Campus Masterplan.

Developments completed this year include:

- > Olympia all-weather sports pitch
- > refurbishment of The Printworks (formerly the Gazette building) to accommodate a professional services hub
- > transformation of the student residential accommodation in King Edward Square
- > successful relocation of academic and service departments (circa 350 staff) around campus to facilitate the creation of the new Business School.

Construction of the new National Horizons Centre at our Darlington campus is on programme for completion in March 2019, enabling work has commenced on the new Student Life building, scheduled for completion in Autumn 2019, and design development continues for new student residential accommodation.

Service excellence

Over the last year we have continued to make improvements to our professional services, which now operate under a single model of service excellence that supports and complements the student experience. As in previous years, our achievements this year have been underpinned by robust financial management, effective use of resources and delivery of all financial KPIs.

Our people

The University's aim is to maintain and enhance effective leadership, recruitment, development and motivation of our workforce. During 2017-18 there were a number of significant developments and achievements which have supported this aim. These projects together with further plans for 2018-19 are as follows:

New professional development and planning review

Following successful implementation of this scheme with senior managers, the University introduced this new review for all staff. The review enables all employees to directly link their role and annual objectives to the strategic aims of the University. A further outcome of this new approach is that staff receive an annual assessment of their work, which recognises their successes and identifies areas for improvement where necessary. All leaders and managers are additionally assessed against the University's leadership attributes. A bespoke scheme has also been developed for the University's manual staff which involves group reviews.

New academic workload model

The University has introduced a new Academic Workload Model and a new recording system to more effectively capture workloads. The data produced is informing extensive analysis of how academic staffing is deployed across the University. Related reviews of the University's academic portfolio and teaching and assessment models have also supported this work.

Review of University Operating Models

The University has undertaken a number of staffing restructures to support the move towards a more centralised delivery of key administrative processes and streamline the services provided to students. Further work will take place during 2018-19 to maximise collaboration across Schools and Services and make more effective use of digital technology to reduce routine processing. This work is directly supporting the University's Strategic Transformation and Change Programme.

Investors in People gold accreditation

In April 2018, the University secured Investors in People (IIP) Gold for the third time and this will be effective until 2021. This was a very strong external endorsement of the University's policies and practices in the nine areas assessed as follows:

- 1 leading and inspiring people
- 2 living the University's values and behaviours
- 3 empowering and involving people
- 4 managing performance
- 5 recognising and rewarding high performance
- 6 structuring work
- 7 building capability
- 8 delivering continuous improvement
- 9 creating sustainable success.

There will be a further annual interim review by IIP in April 2019 and a comprehensive action plan has been developed to ensure that the University continues to enhance its people management practices. Forthcoming projects include implementation of a new Strategic Workforce Planning Framework, an evaluation of the new Professional Development and Planning Review and a staff engagement project to more formally embed the University's values in everything we do.

Trade unions

The University recognises UCU and UNISON as trade unions for collective bargaining purposes.

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017 the Facility Time report for both UCU and UNISON for 2017-18 at Teesside University was as follows:

- > trade union representatives: 16

- > FTE trade union representatives: 15.51

- > overall facility time (as % FTE of working time): 2.78 FTE
 - 0% of working hours: 0 representatives
 - 1% - 50% of working hours: 15 representatives
 - 51% - 99% of working hours: 1 representative
 - 100% of working hours: 0 representatives

- > percentage of total pay spent on facility time: 0.19%

- > percentage of total paid facility time hours spent on paid Teesside University activities: 2.74%.

Key successes in 2017-18

Professional Services, under an overarching service excellence model, have delivered a range of significant activities in 2017-18 as set out below:

Finance & Commercial Development

- > Delivery of all financial KPIs for 2017-18 and further year-on-year improvement in all key controllable metrics through the new Resource Allocation Model.
- > Delivered all key objectives within the Financial Strategy.
- > Achieved a record cash surplus of £20.8m.

Strategic Transformation and Change (STC)

- > Launch of the STC programme and establishment of team.
- > Development, approval and launch of design principles, evaluation criteria, governance structure and the wider project management framework to support delivery of the STC programme.
- > Delivery of student journey project including the positive attendance and engagement from both staff and students across the wider University.
- > Centralised professional services under service excellence approach.

Legal & Governance Services

- > Introduction of a new policy framework to ensure the consistent development, review and application of policies across the University.
- > Embedded new data protection training and practices in response to the implementation of GDPR and the Data Protection Act 2018.
- > Review of governance operations, including the launch of a pilot for electronic governance.

IT and Digital Services

> Client services

100% of student PCs and applications were successfully deployed before the start of academic year, with 60% of University applications now being made available on Apps Anywhere, which is installed on PCs in the library and general purpose teaching (GPT) rooms. In addition to GPTs, lecture capture capabilities are now installed in specialist teaching rooms and, as a prelude to distributing iPads to first-year students, the department supported the distribution of iPads to academic staff.

> Infrastructure services

Information assurance team re-accredited for Cyber Essentials 2018 and implemented the campus-wide vulnerability platform. Server team work focused on infrastructure upgrades and preparation/support for wider initiatives including Future Facing Learning, multi-factor authentication work and School of Computing, Media & the Arts, student virtual machine service. Network team projects heavily focused on upgrades in The Printworks, Athena, Clarendon, Cook, Olympia and the Student Centre as well updates for the visitor WiFi.

> Application services

eForm solutions have become embedded within standard development activities with around 20 forms implemented on K2, supported by application development to replace paper. Implementation support for student portal, workload planning and PURE systems.

Student Recruitment & Marketing

In an increasingly competitive environment, the department has continued to position Teesside University as a first-choice destination for students across all of our recruitment streams. A considerable amount of development has been undertaken on our recruitment marketing campaigns, implementing analytics to ensure value-for-money, and delivering targeted support to academic Schools. In addition, an increasing number of open days and off-campus recruitment events has delivered the Teesside University brand and course offer to a record number of potential students. Through our activities, and working collaboratively with Schools, we have helped deliver the overall student enrolment targets for the University.

Key highlights include:

- > delivery of overall student enrolments in line with Teesside 2020 KPIs
- > enhanced the University's marketing and recruitment presence in an increasingly competitive market
- > worked collaboratively across Schools and Services to improve recruitment, admissions and conversion through the student journey.

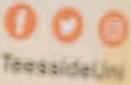
Campus Services

- > Completion of initial phase of Campus Masterplan enabling projects and strategic developments. This includes delivery of five major projects and development of two major projects during the year.
- > Ranked number one of 31 UK universities for accommodation costs (International Student Barometer 2017).*
- > Significant reduction in carbon emissions.
- > Successful implementation of new campus security action plan.

* Find out more: tees.ac.uk/source.

Business, Accounting, Marketing & Enterprise

tees.ac.uk/study



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Teeside
University

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Team Entr

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COMMUNITY OF





THE UNIVERSITY HAS AGAIN DELIVERED AN EXCELLENT SUITE OF FINANCIAL RESULTS, ENSURING THE FINANCIAL POSITION OF THE UNIVERSITY REMAINS ROBUST AND RESILIENT MOVING FORWARD

Financial highlights and Chief Operating Officer overview

During the year, Teesside University has again achieved all of its financial KPIs and delivered year-on-year improvement on all key controllable financial metrics. The University has also delivered against the objectives of its financial strategy ensuring the financial position of the University remains robust and resilient.

2017-18 financial strategy performance

> Financial stability and resilience

- Maintaining strong net cash balances – £51.7m (2016-17: £47.7m) holding minimal borrowing – borrowings of 0.1% of turnover (2016-17: 0.2%).
- Cash at 100+ days expenditure at all times.
- Levels of investment that are contingent upon student recruitment performance.

> Financial sustainability

- Targeted growth in student numbers achieved ensuring a strong cash surplus position returning EBITDA of 14.7% during the year (2016-17: 11.9%).
- Delivering investment in growth and continuing to enhance the student experience.
- Delivering significant cost efficiencies across the University during the year through the implementation of the Strategic and Transformation Change programme.

> Investment capability

- Significant investment to support Teesside 2020 strategic priorities across key strategies:
 - Learning, Teaching and Student Experience
 - Enterprise and Business Engagement
 - Research and Innovation
 - International
 - Resources and Business Management.
- Continued campus investment.
- Significant continued academic growth investment.
- Enhanced infrastructure and student experience and digital investment.



A major feature of the year was a significant programme of investment across the University to further enhance and support the student experience. This programme included over £25m of capital investment during the year, as well as continued targeted investment to support student recruitment, curriculum development, international growth and research. This was complemented by the continued identification and delivery of efficiencies across both the pay and non-pay cost base.

In support of the Teesside 2020 Corporate Strategy, the Board of Governors has approved an Estates Strategy and Campus Masterplan (2017-26), which determine the major projects the University will develop and implement as well as associated prioritisation, timelines and financing.

£141.2M

TOTAL INCOME

OVER
4.5%
up on 2016-17

8.5%
Up 8.5%
over the
last three years

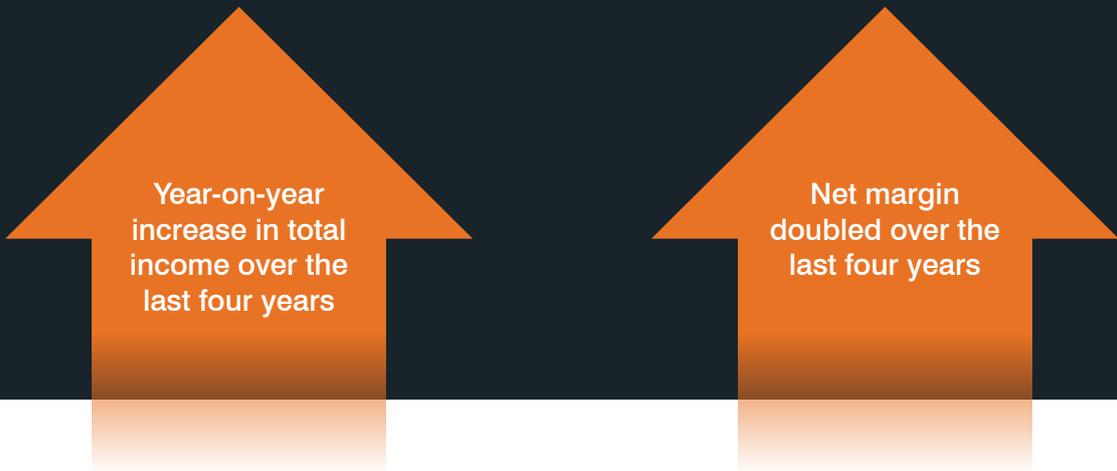
2017-18 financial performance against 2016-17

The financial results have seen year-on-year improvement over 2016-17 on all key controllable financial metrics.

The University's consolidated financial performance for 2017-18 can be summarised as follows:

- > total income of £141.2m (2016-17: £135.1m)
- > surplus after tax of £8.6m (2016-17: £3.9m)
- > cash generated from operating activities: £19.1m (2016-17: £14.9m)
- > investment in capital expenditure: £25.3m (2016-17: £11m)
- > net assets of £142.7m (2016-17: £131.5m).

Following adoption of FRS 102 the change in the methodology to be used for calculating the LGPS current service pension cost has resulted in additional SOCI charges of £4.5m (2016-17: £5.5m).



Year-on-year
increase in total
income over the
last four years

Net margin
doubled over the
last four years

The table below is a summary of the key financial statistics excluding measurement adjustments for defined benefit pension schemes and holiday pay.

Five-year summary of income and expenditure

(excluding measurement adjustments for defined benefit pension schemes and holiday pay)

	2017-18	2016-17	2015-16 Restated	2014-15	2013-14*
	£'000	£'000	£'000	£'000	£'000
Tuition fees and education contracts	108,155	102,321	95,792	87,334	78,769
Funding grants	15,108	13,740	13,983	16,668	20,951
Research grants and contracts	2,445	2,558	3,003	2,283	3,022
Other income	14,971	15,849	16,950	14,971	13,802
Investment income	318	313	377	465	3,385
Donations and endowments	182	275	–	–	–
TOTAL INCOME	141,179	135,056	130,105	121,721	119,929
Less: measurement adjustments	–	–	–	–	(2,813)
TOTAL INCOME EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS	141,179	135,056	130,105	121,721	117,116
TOTAL EXPENDITURE	(132,502)	(131,125)	(126,174)	(119,088)	(114,576)
Add: measurement adjustments	4,337	5,507	3,252	2,970	563
TOTAL EXPENDITURE EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS	(128,165)	(125,618)	(122,922)	(116,118)	(114,013)
SURPLUS BEFORE OTHER GAINS EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS	13,014	9,438	7,183	5,603	3,103
Net Margin	9.2%	7.0%	5.5%	4.6%	2.6%

*These figures are presented under old UKGAAP and the previous HEFE SORP.

The University is focused on achieving resilience, sustainability and effectiveness as it plans for continued investment in the student experience, the campuses, infrastructure and equipment. This will be achieved through a continued focus on diversifying and growing income, securing efficiencies and improving the effectiveness of all processes. The University remains confident that it can respond to the challenges ahead, realise its ambitions and maintain long-term financial sustainability.

£5.8M

INCREASE

in tuition fee income and education contracts

Income

Total income in the year was £141.2m representing an increase of 4.5% over the previous year (2016-17: £135.1m). The main movement is:

- > tuition fee income and education contracts increased by £5.8m. This was predominantly due to fee income from full-time home and EU students increasing by £9.7m offset by reductions of £3.2m and £0.6m in income from education contracts and part-time students respectively. The reduction in income from education contracts reflects the shift from NHS-funded courses to tuition fee loans for students studying nursing and allied health professions.

Income from tuition fees and education contracts accounts for 76.6% (2016-17: 75.8%) of total income and is illustrated in the chart.

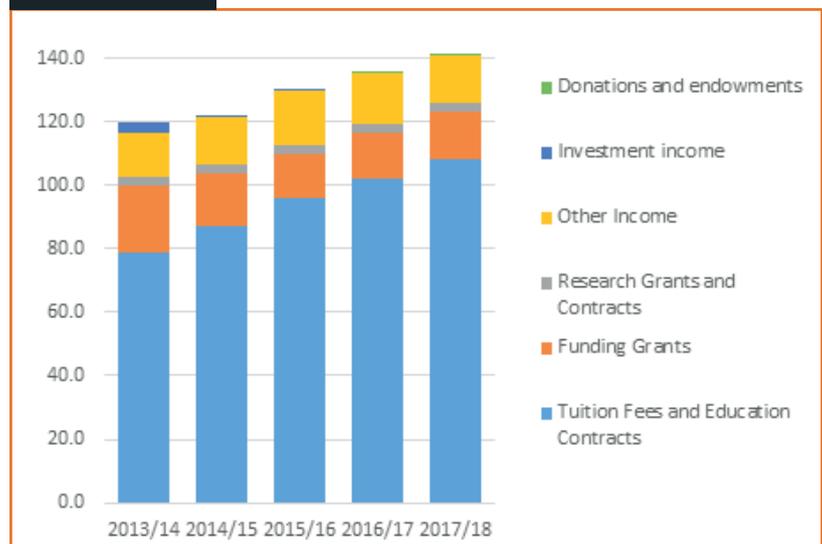
Expenditure

Total expenditure was £132.5m, an increase of £1.4m in the year (2016-17: £131.1m). The main movement year-on-year is:

- > staff costs were £81.7m (2016-17: £83.4m), a decrease of £1.7m or 2.0%. Salary costs remained stable, reflecting the ongoing restructuring savings; social security costs increased by £0.3m due to the full year effect of the apprenticeship levy which was introduced in April 2017; restructuring costs were £1.7m lower than the prior year as no major staffing reviews were undertaken. Excluding FRS 102 costs and restructuring costs this represents 54.9% (2016-17: 56.9%) of total income.

The University is committed to lowering this percentage and positive progress continues to be made.

Income £m



The 2013-14 figures are presented under old UKGAAP and the previous HEFE SORP.

Surplus

The surplus before other gains of £8.7m is a significant increase on 2016-17 (£3.9m) and recognises the full year effects of the restructuring programmes which have been undertaken in prior years, the positive impact of cost control and efficiencies together with increased income. It is important for the University to generate a surplus in order to achieve the Teesside 2020 Corporate Strategy, including delivering the Campus Masterplan. The net margin of 9.2% represents a strong financial performance for the year.

Balance sheet

The net assets of the group increased this year by £11.2m to £142.7m. The main areas of change were:

- > increase in fixed assets of £16.0m
- > increase in cash and cash held on term deposits of £4.0m
- > increase in long-term creditors of £7.0m as a result of capital grants.



£11.2M

INCREASE

in net assets over
2016-17

DEVELOPMENTS WERE FUNDED BY EXISTING CASH RESERVES

Capital programme

The University continues to invest in its estate with a number of major projects being completed or well underway. These major developments include:

- > completion of the final phase of the £6.85m refurbishment of the library which commenced in summer 2016
- > commencement of the construction of the National Horizons Centre. This £22.3m project will establish a building which will provide a full range of skills for bio-industry and in applying digital technologies to improve performance and productivity in advanced manufacturing. It is scheduled for completion in Spring 2019
- > initial phase of redevelopment of student residential accommodation, to address student requirements and to offer a viable alternative to local managed housing
- > refurbishment of the former Gazette building which was purchased in 2016-17. This has enabled space to be developed in the centre of the campus for student-facing activities and has facilitated the creation of a Corporate and Professional Services Hub
- > substantial refurbishment of existing space to provide dedicated space for the University's Business School to provide a strong physical presence for its growing student numbers. This was completed for the commencement of the 2018-19 academic year
- > a range of enabling projects identified in the Masterplan which contribute to the enhancement of the student experience.

These developments were funded by existing cash reserves and no further borrowings were taken out during the year.

Cash flow

During the year performance was very strong with £19.1m (2016-17: £14.9m) generated from operating activities. There was an increase in short-term deposits of £23m and a reduction of £19m in cash balances.

Treasury management

Treasury management is the management of the University's cash flows, its banking and money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The University has a Treasury Management Policy in place. Surplus cash is placed with a number of highly rated counter-party banks.

Short-term deposits have increased to take advantage of the improved interest rates on offer for deposits placed for up to one year.

Borrowings remain minimal and the current Masterplan programme is developed on the basis that it is primarily funded through University cash resources as supplemented by planned projected surpluses.

The University retains the option of securing debt to facilitate estates development in the future.





Five-year summary of key statistics

	2017-18	2016-17	2015-16	2014-15 Restated	2013-14*
	£'000	£'000	£'000	£'000	£'000
Tuition fees and education contracts	108,155	102,321	95,792	87,334	78,769
Funding grants	15,108	13,740	13,983	16,668	20,951
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Donations and endowments	182	275	–	–	–
TOTAL INCOME	141,179	135,056	130,105	121,721	119,929
TOTAL EXPENDITURE	(132,502)	(131,125)	(126,174)	(119,088)	(114,576)
SURPLUS BEFORE OTHER GAINS	8,677	3,931	3,931	2,633	5,353
NET CASH INFLOW FROM OPERATING ACTIVITIES	19,110	14,893	13,235	7,835	5,619
INCREASE/(DECREASE) IN CASH AND BANK DEPOSITS IN THE YEAR	4,009	5,674	(9,412)	(20,786)	2,439
Non-current assets	175,978	159,834	156,328	139,663	105,975
Net current assets	35,372	32,030	26,437	36,522	60,951
Creditors due after more than one year	(22,306)	(15,307)	(15,147)	(15,030)	(483)
Provisions (excluding pension liability)	(4,602)	(4,880)	(5,301)	(4,973)	(5,188)
NET ASSETS BEFORE PENSION LIABILITY	184,442	171,677	162,317	156,182	161,255
PENSION LIABILITY	(41,791)	(40,220)	(61,735)	(32,522)	(34,680)
NET ASSETS AFTER PENSION LIABILITY	142,651	131,457	100,582	123,660	126,575

*These figures are presented under old UKGAAP and the previous HEFE SORP.



CONTINUING TO MAINTAIN STRONG, STRATEGIC AND FOCUSED RISK MANAGEMENT

Risk management and principal risks

The University continues to maintain strong governance for risk management, outlined in an overarching risk policy. Risk is managed through the Risk Management Framework, which is reviewed annually, and which articulates the arrangements and activities in place to ensure that the University's strategic and operational risks are identified, mitigated and, where judged appropriate, tolerated. The strategic risk register, which is closely aligned to the University's strategic objectives, is agreed by the University Executive Team and the Board of Governors, supported by the Audit Committee. The register is regularly updated and includes mitigating and planned actions to reduce the impact and likelihood of all of its key risks. The updated register is reported to each meeting of the Audit Committee and the Board of Governors.

As part of the well-established and embedded process of risk management throughout the University each School and Service prepares an individual operational risk register within its annual plans. These are regularly reviewed and updated. Major risks included in these operating risk registers are considered by the University Executive Team for escalation to the strategic risk register. Risk management within the University continues to seek maximum benefit through combining a top-down and bottom-up approach to risk assessment.

The principal risks facing the University are considered to be:

Student recruitment

Maintaining student numbers is critical for long-term sustainability in an increasingly competitive environment. Deregulation of the market and increased competition across all market segments is compounded further by the importance attached to external benchmarks – such as the National Student Survey, league tables and student employability – by students and influencers. An early assessment of the recruitment for 2018-19 indicates that the University will achieve its student number target.

The UK higher education market for international students remains challenging as global competition increases overseas. In addition to this increase in competition, current UK government policies that restrict international graduates' post-study work opportunities make the recruitment of international students challenging. The University's International Strategy identifies opportunities for improving the recruitment of international students which are being implemented. International student numbers increased in 2017-18 and this positive trajectory has continued into the 2018-19 recruitment cycle.

Regulatory and policy changes

The impact of policy changes, new legislation in the form of the Higher Education and Research Act and a new Regulator have all created greater uncertainty and challenges in the sector meaning that the University needs to be ever more agile to respond to them. Upcoming challenges are closely monitored through membership of sector bodies and lobbying and with scenario planning and stress testing undertaken as appropriate. In addition, the UK's decision to leave the EU has caused uncertainty, largely in terms of student and staff recruitment, research funding and the broader economic impact.

GOVERNANCE

Public Benefit Statement

The University's charitable objects are set out in section 124 of the Education Reform Act 1988. Our Board of Governors is responsible for ensuring that the University fulfils its responsibility as a charity, in line with Charity Commission Guidance.

Teesside University has been at the heart of the Tees Valley for 88 years. Our mission is to generate and apply knowledge that contributes to the economic, social and cultural success of the students, partners and communities we serve. Our students are at the heart of everything we do and we pride ourselves on the positive contribution and impact we have on the region and beyond.

Education and raising aspirations

Teesside University provides undergraduate and postgraduate education to 18,377 (2016-17: 18,554) students, and we aim to be the preferred choice for a diverse range of students and professionals. The University's admission policy and access and participation plan underline our commitment to raising aspirations and creating opportunities for people in our region to participate in higher education.

With over 90% of new full-time entrants generally coming from state schools and around 30% from low participation backgrounds, we have an acknowledged track record in widening participation. Over the years, we have established excellent links with local schools and colleges, and we work with them to provide a sustained programme of progression and attainment activities throughout the year, particularly at key transition points.

Highlights:

- > **Choose your future** – our subject-specific taster sessions allow pupils to sample the wide and varied range of subjects available to them.
- > **Summer University** – our Summer University programme provides a range of courses for individuals such as those wanting to return to education, gain entry requirements or change career. In addition, we also deliver a programme specifically for international students.
- > **Teesside University College Partnership (TUCP)** – TUCP brings together Teesside University and Darlington, Hartlepool, Redcar & Cleveland and Stockton Riverside Colleges to offer students a broad range of higher education opportunities.
- > **Foundation years** – a number of our courses now offer a foundation year which supports those progressing from school or college who do not meet the standard entry requirements.

At Teesside University we are committed to providing an outstanding learner-centred experience. This is facilitated by a holistic approach to student support and innovative teaching that prepares our students to excel in a connected

global workplace. We aim to create a stimulating learning environment where students are able to develop knowledge and skills that enable them to flourish and grow beyond university. We also offer a range of scholarships and bursaries to support our students to progress through higher education.

Highlights:

- > **Student Futures strategy** – our strategy focuses on providing our students with opportunities to develop knowledge and skills that bring real world value, including volunteering work placements, enterprise projects, knowledge transfer partnerships and more.
- > **Students as Researchers programme** – the scheme offers funded opportunities for students to collaborate with academics in conducting research projects.
- > **Future facing learning framework** – a new framework for learning in the 21st century has been developed by our learning, teaching and enhancement team.
- > **Teesside University Advance** – all new full-time undergraduate students enrolling on Year 0 or Year 1 for the 2018-19 academic year at the Middlesbrough or Darlington Campus are provided with an Apple iPad to enable them to engage with the digital agenda.
- > **Student Experience Fund** – current students are able to apply for up to £2,000 to support projects that give them a new opportunity, such as a work-related learning opportunity or a learning experience outside the UK.
- > **VC's Scholarship awards** – in 2018 we launched a new scholarship scheme to support outstanding international students. These scholarships take the form of a £3,000 tuition fee waiver.

Research impact

Research excellence and innovation are integral to our activities. Our focus is on externally facing research that makes a real, practical difference to the lives of people and the success of businesses and economies. Working with a range of organisations from national government to small businesses and charities, our research addresses some of the biggest national and global grand challenges of our times. Our research expertise is co-ordinated through our grand challenge themes: health and wellbeing, resilient and secure societies, digital and creative economy, sustainable environments and learning for the 21st century.

Highlights:

- > **Doctoral Training Alliance** – led by the University Alliance, these postgraduate programmes are designed to respond to the industry needs of the future, creating 80 fellowships. At Teesside we will welcome seven researchers in the first phase and five in the second. In addition, we are also part of the North East and Northern Ireland doctoral training partnership.

- > **Energy drinks research** – in 2018 one of our public health researchers published a study into the sale and consumption of energy drinks and has since appeared before the science and technology House of Commons Select Committee. Subsequently the government has introduced a range of measures including a ban on selling energy drinks to under-16s and has launched a consultation on extending the ban to under-18s.

- > **Team talent research** – one of our leading professors recently undertook a study to assess the impact of changes to the GCSE format. Working together with pupils from a school in North Shields, Professor Newbury-Birch has carried out in-depth research and analysis about how the new format affected both staff and fellow students. Their work is set to be published in a new book chapter.

- > **EPSRC inclusion matters** – Teesside University is part of a pioneering project to boost diversity in engineering and sciences. Part of an EPSRC project led by Durham University, we will be working alongside eight other universities and six companies to understand how we can boost representation of women, disabled people, LGBT+, and people from Black and Minority Ethnic backgrounds in engineering and physical sciences in the North of England.

Community engagement

As an anchor institution, engagement with local communities and supporting the regional economy is one of our core values and as such is embedded in all of our activities including learning and teaching, research and business engagement. Our approach and commitment to community engagement is outlined in our Corporate Social Responsibility Framework and is evidenced by our widely acknowledged contributions to the region. We work closely with the Tees Valley Combined Authority (TVCA) and other organisations such as Arts Council England, local authorities and businesses to ensure that our contributions and those of our students continue to support the delivery of the Tees Valley Strategic Economic Plan, and promote economic prosperity and social cohesion.

Highlights:

- > **Middlesbrough Institute of Modern Art** – MIMA has defined its purpose as a useful museum with a strong civic agenda. It takes a leading role in addressing current issues. It provides a wide range of activities to diverse groups of individuals and organisations.

- > **DigitalCity/Launchpad** – Teesside University has led the DigitalCity initiative for a number of years and through this we have created a thriving cluster of technology and creative companies. Alongside this we created Launchpad, our ground-breaking student and enterprise programme which helps graduates to establish high-value businesses in the Tees Valley.

- > **LEAP 50** – LEAP 50 is aimed at helping ambitious Tees Valley business leaders meet the challenge of accelerating growth. Alongside TVCA we will deliver an innovative growth and leadership programme.

- > **University clinic model** – our clinic model enables students to explore professional practice under supervision. Both the Law Clinic and the Business Clinic allow students to take on real clients, supervised by qualified externals who provide pro bono support. The long-established law clinic has received numerous accolades including the LawWorks and Attorney General Pro Bono Award for Best Contribution by a Team of Students for work undertaken advising former steelworkers following the closure of the SSI site in Redcar.



Board of Governors

Members of the Board of Governors of the University are the Trustees of the University.

Independent members

Dr Jane Atkinson

Mr Robin Bloom (Treasurer)*

Mr Paul Booth OBE

Mr Bob Cuffe*

Mr Chris Fleetwood

Ms Shahda Khan MBE*

Ms Sue Kiddle

Mr Alastair MacColl (Chairman and Pro-Chancellor)

Ms Siobhan McArdle

Mr Dermot Russell

Mr Steve Tonks

Mr Ian Wardle

Mr Godfrey Worsdale OBE

Vice-Chancellor and Chief Executive

Professor Paul Croney

Staff and student representatives

Mr Matthew Atkin (resigned 20 August 2017)

Mr Dann Cooley

Dr Kate Gillen
(appointed 22 September 2017, retired 30 April 2018)

Mrs Marion Grieves (appointed 1 September 2018)

Ms Helen Page

Mr Tom Platt

Ms Amy Preston
(appointed 22 September 2017, resigned 30 June 2018)

Mr Andrew Richardson (appointed 1 July 2018)

Co-opted members

Ms Ada Burns

Mr James Cross

Mr John Hogg

Professor Philip Jones

Secretary to the Board of Governors

Mrs Helen Cutting

*Mr Robin Bloom, Mr Bob Cuffe and Ms Shahda Khan resigned on 16 November 2018, after the approval of the Annual Report and Financial Statements.

The list includes trustees who served at any time during the year and up to the date that the financial statements were formally approved.

Statement of corporate governance and internal control for the year ended 31 July 2018

Corporate governance statement

Teesside University is an independent institution, established as a higher education corporation under the terms of the Education Reform Act 1988 and granted University title and associated powers in the Further and Higher Education Act 1992. The University is also an exempt charity under schedule 3 of the Charities Act 2011, with the Office for Students acting as its principal regulator from 1 April 2018 (prior to this date the principal regulator was the Higher Education Funding Council for England).

The University's objects, powers and framework of governance are set out in the Instrument and Articles of Government.

The University is committed to exhibiting best practice in all aspects of corporate governance. It has adopted the Committee of University Chairs (CUC) HE Code of Governance, published in December 2014 and revised June 2018, and has complied with the seven primary elements of that code throughout the year apart from element 3.14 relating to the Chair of the Remuneration Committee. The Code requires that the Remuneration Committee, when considering the remuneration of the Vice-Chancellor, must be chaired by a senior independent governor who is not Chair of the Board. The University's Remuneration Committee is comprised of the Chair and Deputy Chair of the Board of Governors and the Chairs of the Resources and People and Organisational Development Committees, all of whom regularly act in the capacity of leading a committee or Board and would not be unduly influenced by the Chair of the Board in reaching a decision on remuneration of the Vice-Chancellor. The Committee's decision-making is informed by key benchmarking and performance data. The Remuneration Committee considers the remuneration of all senior staff within its remit. Remuneration Committee members are therefore of the view that the Chair of the Board should continue to chair Remuneration Committee as has been existing practice without issue or cause for concern.

The Governing Body aims to conduct its business in accordance with the principles identified in the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

Summary of the University's structure of corporate governance

The University's Board of Governors comprises up to 18 lay persons appointed under the University's Instrument and Articles of Government, five representatives of staff and students, and the University's Chief Executive, the Vice-Chancellor. The role of Chair of the Board of Governors is separated from the role of the University's Chief Executive, the Vice-Chancellor, providing a clear division of responsibility. The constitution of the governing body ensures that no individual or group dominates the decision-making processes and that it can exercise its responsibilities free from management. Board members are Trustees of the University as an exempt charity.

The Board of Governors usually meets six times a year, and has several committees, including a Resources Committee, a Nomination and Governance Committee, a Remuneration Committee, an Audit Committee and a People and Organisational Development Committee. All of these committees are formally constituted with terms of reference and comprise mainly lay members of the Board of Governors.

The Audit Committee meets at least three times a year. The Committee provides assurances to the Board on the adequacy of the University's risk management, compliance with its Prevent Duty, value for money, and data quality and assurance arrangements. It is responsible for meeting with the external auditors to discuss audit findings, and with the internal auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. The committee also receives and considers reports from the Regulator as they affect the University's business, and monitors adherence with the regulatory requirements. It reviews

the University's annual financial statements in the context of the approved accounting policies. While senior executives attend meetings of the Audit Committee, they are not members of the Committee and the Committee meets with the external auditors and the internal auditors on its own for independent discussions at the end of every Audit Committee meeting. Annually, the Committee provides an opinion on the adequacy of the arrangements in place within its oversight which informs the Statement of Internal Control.

The People and Organisational Development Committee determines the framework within which senior executives manage the University's employees. It also provides oversight and input to wider issues of organisational development including transformation and change.

The Nomination and Governance Committee considers nominations for vacancies on the Board. It also provides oversight of the wider governance framework of the University.

The Remuneration Committee determines the remuneration of the three holders of senior posts.

The Resources Committee inter alia recommends to the Board of Governors the University's annual revenue and capital budgets and the five-year forecasts and monitors performance in relation to the approved budgets.

In addition, an Academic Board, constituted in accordance with the Articles of Government, provides oversight of all academic matters and reports to the Board of Governors ensuring that the Board can discharge its responsibility to have assurance on the academic quality and standards of teaching at the University.

The Board of Governors follows the principles of the CUC Code of Governance in reviewing its own effectiveness.

Remuneration of the Vice-Chancellor

When determining any increases to basic salary or whether to award performance payments to the Vice-Chancellor (and the other Senior Post Holders), consideration is given to the Higher Education Senior Staff Remuneration Code and the University's Senior Management Annual Salary Review and Performance Payment Scheme.

In addition, the Remuneration Committee receives the latest University Key Performance Indicators for the current year, along with individual performance assessments of each Senior Post Holder. This year, the Chairman also met with representatives from the student body prior to completing the performance review documentation for the Vice-Chancellor and this discussion helped inform the final performance assessment by the Remuneration Committee.

During the annual performance review, an individual is awarded a level of assessment based on the extent to which they have achieved their agreed annual objectives and any additional exceptional contribution they may have made over the performance year. Only senior management staff assessed in the highest two categories can be awarded a performance payment as follows:

- > Exceptional Contribution to the University – attracts a performance payment of 10-15% of salary
- > Exceeded Expectations – attracts a performance payment of 5-10% of salary.

When determining the level of remuneration for the Vice-Chancellor (and the other Senior Post Holders), in addition to the principles in the Higher Education Senior Staff Remuneration Code, there are three further elements that are taken into consideration:

- a) the level of National Pay Award for all staff at Grade 9 and below
- b) comparison with sector pay to ensure retention – as a member of the University Alliance group, the University benchmarks senior management salaries against the median to upper quartile for equivalent staff base pay in the Alliance group of universities submitted to the UCEA Senior Staff Remuneration Survey, unless there is good reason to do otherwise (market forces or non-comparable portfolios, for example)
- c) maintenance of internal relativities, ie significant permanent change to responsibilities.

Applying the above approach and principles, in 2017 the Remuneration Committee determined to award a 1.7% increase to the basic salary of the Vice-Chancellor, being the figure proposed for the National Pay Award, with effect from 1 August 2017. From the same date, the Vice-Chancellor's car allowance was included in his base salary and he no longer receives a separate allowance.

In September 2018, the Remuneration Committee determined to make a performance payment of 15% of basic salary for the year ended 31 July 2018, acknowledging the strong performance of the University during the financial year, and the contribution made to that performance by the Vice-Chancellor.

The breakdown of emoluments of the Vice-Chancellor are as follows:

	2017-18 £	2016-17 £
Salary	224,919	212,310
Car Allowance	-	9,000
Performance Related Pay	33,738	31,846
Benefits (in-kind)	3,462	3,883
Subtotal	262,119	257,039
Pension Costs	42,280	34,989
Total	304,399	292,028

The median salary across all staffing groups (including atypical and agency staff) is £32,548 per annum. The Vice-Chancellor's basic salary is 6.9 times greater than the median pay of staff, where the median is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The Vice-Chancellor's total remuneration is 8.4 times the median total remuneration of staff.

Internal control

The Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the University's Instrument and Articles of Government and the Terms and Conditions of Funding for Higher Education with the Office for Students (OfS).

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, but not absolute, assurance against material misstatement or loss.

The system of internal control is based on a continuous process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process, which accords with the OfS guidance, has been in place for the year ended 31 July 2018 and up to the date of approval of the Financial Statements.

The University's internal control system is supported by a number of policies that have been approved by the Board of Governors. These include a Risk Management Policy, an Anti-Bribery and Corruption Policy, a Counter Fraud Policy, a Criminal Finances Act Policy, an Anti-Money Laundering Policy, comprehensive Financial Regulations which detail financial controls and procedures and a Scheme of Delegation which identifies where authority rests within the University for significant decisions made in the name of or on behalf of the University.

The Board of Governors has responsibility for reviewing the effectiveness of the system of Internal Control, for updating the University's risk management framework, and for ensuring that there is a sound approach to confirm that this framework is adopted and embedded consistently and effectively across each activity within the University.

The following key processes form part of the Board's strategy to maintaining a sound system of internal control:

- the University has adopted a range of policies and procedures to reflect risk management principles
- a key element of the University's approach to risk management is clear reporting of the Risk Management Policy, risk register, and the processes in place to manage and mitigate risk
- a Risk Management Framework is in place which forms the basis of detailed risk identification and management
- the University Executive Team oversees risk management across the University
- the University has a formal and structured Risk Management Policy to ensure that key risks are identified and managed consistently across the University
- the Risk Management Policy is reviewed at least annually
- a strategic risk register is in place and is reviewed at least annually by the University Executive Team, the Audit Committee and the Board of Governors
- the strategic risk register is supported by risk management statements in the development plans of each School and Service, covering both corporate and operational risks
- responsibility for monitoring each key risk has been assigned to senior officers of the University with the Chief Operating Officer and the Director of Finance & Commercial Development having day-to-day responsibility for risk management within the University
- the Audit Committee receives regular reports from the Internal Auditors, which include an independent opinion on the adequacy and effectiveness of the University's risk management, governance, internal control and arrangements to provide value for money, together with recommendations from the internal auditors for improvement
- the Audit Committee receives regular reports on the University's Assurance Framework ('3 Lines of Defence' model) and the Risk and Assurance activities since the previous meeting
- the Board of Governors receives regular reports from the Chair of the Audit Committee concerning internal control and it requires regular reports from senior managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects
- the Board of Governors' review of the effectiveness of the system of internal control is informed by the Internal Auditors who operate to standards defined in the OfS Audit Code of Practice. The most recent Internal Audit annual opinion concluded that the University's arrangements for governance, risk management, and control, and value for money arrangements were 'generally satisfactory with some improvements required'.

Responsibilities of the Board of Governors

Statement of primary responsibilities

The Board of Governors is Teesside University's governing body. The Board's responsibilities are set out in the Statement of Primary Responsibilities. This statement identifies the Board of Governors' principal responsibilities under Article 3.1 of the University's Articles of Government as including:

- the determination of the educational character and mission of the University, and for oversight of its activities
- the effective and efficient use of resources, the solvency of the University and safeguarding its assets
- the review and final approval of annual estimates of income and expenditure
- the appointment, grading, suspension, dismissal and determination of the pay and conditions of service of all holders of senior posts, and the assignment of duties and appraisal of the Vice-Chancellor and the Clerk to the Board of Governors
- setting a framework for the pay and conditions of service of all staff (other than those specified above).

It also identifies the Board of Governors' principal responsibilities in complying with the CUC Higher Education Code of Governance, which are set out below.

- 1.1 To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- 1.2 To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- 1.3 To delegate authority to the head of the University, as Chief Executive, for the academic, corporate, financial, estate and human resource management of the University; and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the University.
- 1.4 To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
- 1.5 To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself.
- 1.6 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.
- 1.7 To safeguard the good name and values of the University.
- 1.8 To appoint the head of the University as Chief Executive, and to put in place suitable arrangements for monitoring their performance.

- 1.9 To appoint a Secretary to the Board of Governors and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
- 1.10 To be the employing authority for all staff in the University and to be responsible for establishing a Human Resources Strategy.
- 1.11 To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
- 1.12 To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
- 1.13 To receive assurance that adequate provision has been made for the general welfare of students.
- 1.14 To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
- 1.15 To ensure that the University's Instrument and Articles are followed at all times and that appropriate advice is available to enable this to happen.

Governors should apply informed and independent judgement to ensure the successful development of the University. Board decisions should reflect the breadth of the experience of the Members, and must be characterised by openness, objectivity and rigour, thereby establishing confidence in the strategic direction of the University and in the effective implementation of the agreed Mission.

Statement of Board of Governors' responsibilities in respect of the Annual Report and the Financial Statements

The Board of Governors is responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and Conditions of Funding for Higher Education Institutions and Research England's Terms and Conditions of Research England Grant and applicable law and regulations.

The Board is required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The Terms and Conditions of Funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and in accordance with the requirements of the Accounts Direction issued by the OfS. The Board is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses, and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Board of Governors is responsible for keeping proper accounts and proper records in relation to the accounts. The Board of Governors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the group, and to prevent and detect fraud and other irregularities.

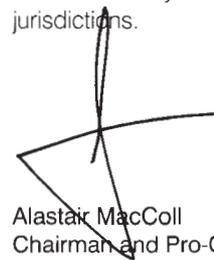
The Board of Governors is also responsible for ensuring that:

- funds from whatever source administered by the group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them
- there are appropriate financial and management controls in place to safeguard public funds and funds from other sources, and
- securing the economical, efficient and effective management of the University's resources and expenditure.

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

- a scheme of delegation which has clear definitions of the responsibilities of, and the authority delegated to, senior management and heads of academic Schools and administrative departments
- a comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash-flow budgets
- regular reviews of key performance indicators and business risks, and monthly reviews of financial results involving variance reporting and updates of forecast out-turns
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Resources Committee, the Audit Committee and the Board of Governors, and
- a professional internal audit team whose annual programme is approved by the Audit Committee.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Alastair MacColl
Chairman and Pro-Chancellor



Professor Paul Croney
Vice-Chancellor and Chief Executive

Independent Auditor's report to the Board of Governors of Teesside University

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Teesside University ("the University") for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Statement of Consolidated Cash Flows, and related notes, including the accounting policies in the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*, and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least 12 months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Board of Governors is responsible for the other information, which comprises the Foreword from the Chairman and Pro-Chancellor, Introduction from the Vice-Chancellor and Chief Executive, University Introduction section, Strategic Review, Public Benefit Statement, Board of Governors, and Statement of Corporate Governance and Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Board of Governors' responsibilities

As explained more fully in their statement set out on page 39, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation
- funds provided by Office for Students and Research England have been applied in accordance with the terms and conditions attached to them, and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.



Rachel Fleming
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

23 November 2018



FINANCIAL STATEMENTS

Statement of accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (2015 FE HE SORP) and in accordance with Financial Reporting Standards (FRS 102).

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102.

The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of certain fixed assets).

Basis of consolidation

The consolidated financial statements include the University, all its subsidiaries and the Friends of the University of Teesside Trust for the financial year to 31 July 2018. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include those of the Students' Union as the University does not exert control or dominant influence over policy decisions.

The University has taken advantage of the exemption under 1.12(b) of FRS 102 from preparing a statement of cash flows for the University, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the University's cash flows.

Income recognition

Income from the sale of goods or services is credited to the Consolidated 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 Consolidated 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 discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

Grant funding

Government revenue grants including teaching funding grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the University is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Non-exchange transactions without performance-related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

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

There are two types of donations and endowments identified within reserves.

- 1 Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
- 2 Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance-related conditions being met.

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from UK Corporation Tax in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are liable to corporation tax in the same way as any other commercial organisation.

Employment benefits

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

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.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the surplus or deficit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency, at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the rates ruling at the balance sheet date where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income or Expenditure.

Fixed assets

Fixed assets are stated at valuation or cost less accumulated depreciation and accumulated impairment losses.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

On adoption of the 2015 FE HE SORP the University followed the transitional provision and opted to revalue its land to fair value on the date of transition. Land is, therefore, measured on the basis of deemed cost, being the revalued amount at the date of transition to FRS 102 (1 August 2014).

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives of between 15 and 70 years.

Major components are treated as separable assets and depreciated over their expected economic lives, or the lives of the structure to which they relate if shorter. The useful lives are as follows:

Structure	15 years - 70 years
Mechanical	25 years
Fixed equipment and furnishings	10 years - 20 years

No depreciation is charged on assets in the course of construction.

Equipment

Equipment costing greater than £1,500 each with an estimated life of more than one year is capitalised. All laptops and computers are also capitalised.

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

Computer equipment	5 years
Other equipment and software	up to 25 years
Motor vehicles	4 years

Heritage assets

Works of art and other valuable artefacts, acquired since August 2007, have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

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

Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the surplus or deficit.

Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

Investments

Unlisted non-current asset investments are held on the Balance Sheet at amortised cost less impairment. Listed non-current asset investments are held at fair value.

Investments in subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the surplus or deficit.

Stock

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with an original maturity of three months or less.

Intra-group transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Provisions

Provisions are recognised in the financial statements when: a) the University has a present obligation (legal or constructive) as a result of a past event; b) it is probable that a transfer of economic benefits will be required to settle the obligation; and c) a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risk of change in value.

Accounting for retirement benefits

The three principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Teesside Pension Fund (TPF) and the Universities' Superannuation Scheme (USS). All schemes are defined benefit schemes, but the TPS and USS are both multi-employer schemes and it is not possible to identify the assets and liabilities of these schemes attributable to each institution. Therefore, these schemes are accounted for as defined contribution retirement benefit schemes. Contributions to these schemes are included as expenditure within the Consolidated Statement of Comprehensive Income and Expenditure in the period in which they are payable and no liability for future payments of benefits is recognised in the Balance Sheet.

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

Defined benefit retirement plan

Defined benefit retirement plans are post-employment benefit plans other than defined contribution retirement plans. Under defined benefit retirement plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises the liability for its obligations under defined benefit retirement plans net of scheme assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is determined by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Financial instruments

The University has chosen to apply the provisions of sections 11 and 12 of FRS 102 in full. Financial assets and financial liabilities are recognised in the University's balance sheet when the University becomes a party to the contractual provisions of the instrument. A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The University's financial assets and liabilities all meet the criteria for basic financial instruments prescribed within FRS 102 Section 11.8. All financial assets and liabilities are initially recognised at the transaction price plus any additional directly attributable transaction costs. They are subsequently measured as follows.

Investments

Investments within the scope of section 11 of FRS 102 (therefore excluding investments in subsidiaries, associates and joint ventures) are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through the statement of comprehensive income). Subsequently, they are measured at fair value if the investment is publicly traded or their fair value can otherwise be measured reliably with the changes in fair value recognised in the statement of comprehensive income. All other investments are measured at cost less impairment.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Loan notes

Loan notes which are basic financial instruments are initially recorded at the transaction price, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Significant estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in the application of these accounting policies that affect reported amounts of assets, liabilities, income and expenditure.

Estimates and judgements are periodically evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. Details of the group's significant accounting judgements and estimates are described below.

Estimates for the accounting for employee benefits

FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets for certain of the University's defined benefit plans. These are mainly actuarial assumptions such as discount rate, mortality rates and expected inflation rates. Differences arising from actual experience or future changes in assumptions will be reflected in future years. The key assumptions made for 2018 are documented in note 26.

Valuation of investment property

The University holds one investment property. The valuation of the University's investment property is undertaken on an annual basis. Due to the nature of valuations there is an element of subjectivity and judgement involved in this valuation.

Recoverability of debtors

The provision for doubtful debts is based on our estimate of the expected recoverability of those debts. A provision is made for any amounts that are not considered to be recoverable. This provision is based on knowledge of the customer, the time that this amount has been outstanding and the level of uncertainty as to whether the customer has sufficient funds to pay these amounts.

Consolidated and University statement of comprehensive income and expenditure

Year Ended 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees and education contracts	1	108,155	107,865	102,321	101,816
Funding grants	2	15,108	15,108	13,740	13,740
Research grants and contracts	3	2,445	2,405	2,558	2,499
Other income	4	14,971	19,100	15,849	17,173
Investment income	5	318	310	313	306
Donations and endowments	6	182	182	275	275
Total income		141,179	144,970	135,056	135,809
Expenditure					
Staff costs	7	81,686	81,521	83,359	83,267
Other operating expenses		40,411	44,398	38,480	39,344
Depreciation	11	9,272	9,272	7,706	7,706
Interest and other finance costs	8	1,133	1,133	1,580	1,580
Total expenditure	9	132,502	136,324	131,125	131,897
Surplus before other gains		8,677	8,646	3,931	3,912
Loss on revaluation of investment property	13	(60)	(60)	–	–
Gain on investments		–	–	1	1
Surplus before tax		8,617	8,586	3,932	3,913
Taxation	10	–	–	–	–
Surplus for the year after tax		8,617	8,586	3,932	3,913
Appreciation on endowment asset investments		7	7	21	21
Actuarial gain in respect of pension schemes	26	2,570	2,570	26,922	26,922
Total comprehensive income for the year		11,194	11,163	30,875	30,856
Represented by					
Endowment comprehensive income for the year		9	9	24	24
Unrestricted comprehensive income for the year		11,185	11,154	30,851	30,832
		11,194	11,163	30,875	30,856

All items of income and expenditure relate to continuing activities.

Consolidated and University statement of changes in reserves

Year Ended 31 July 2018

Consolidated

	Income and expenditure account		Revaluation reserve	Total
	Endowment £000	Unrestricted £000	£000	£000
Balance at 1 August 2016	255	78,959	21,368	100,582
Surplus from the income and expenditure statement	3	3,929	–	3,932
Other comprehensive income	21	26,922	–	26,943
Transfers between revaluation and income and expenditure reserve	–	632	(632)	–
Total comprehensive income/ (expenditure) for the year	24	31,483	(632)	30,875
Balance at 31 July 2017	279	110,442	20,736	131,457
Balance at 1 August 2017	279	110,442	20,736	131,457
Surplus from the income and expenditure statement	2	8,615	–	8,617
Other comprehensive income	7	2,570	–	2,577
Transfers between revaluation and income and expenditure reserve	–	632	(632)	–
Total comprehensive income/ (expenditure) for the year	9	11,817	(632)	11,194
Balance at 31 July 2018	288	122,259	20,104	142,651

Consolidated and University statement of changes in reserves (continued)

Year Ended 31 July 2018

University

	Income and expenditure reserve		Revaluation reserve	Total
	Endowment £000	Unrestricted £000	£000	£000
Balance at 1 August 2016	255	78,382	21,368	100,005
Surplus from the income and expenditure statement	3	3,910	–	3,913
Other comprehensive income	21	26,922	–	26,943
Transfers between revaluation and income and expenditure reserve	–	632	(632)	–
Total comprehensive income/ (expenditure) for the year	24	31,464	(632)	30,856
Balance at 31 July 2017	279	109,846	20,736	130,861
Balance at 1 August 2017	279	109,846	20,736	130,861
Surplus from the income and expenditure statement	2	8,584	–	8,586
Other comprehensive income	7	2,570	–	2,577
Transfers between revaluation and income and expenditure reserve	–	632	(632)	–
Total comprehensive income/ (expenditure) for the year	9	11,786	(632)	11,163
Balance at 31 July 2018	288	121,632	20,104	142,024

Consolidated and University balance sheet

As at 31 July 2018

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Fixed assets	11	173,140	173,383	157,168	157,411
Heritage assets	12	508	508	286	286
Investment property	13	2,090	2,090	2,150	2,150
Non-current investments	14	240	269	230	275
		175,978	176,250	159,834	160,122
Current assets					
Stock		68	68	76	76
Trade and other receivables	15	15,422	19,752	12,082	13,371
Current investments	16	47,000	47,000	24,000	24,000
Cash and cash equivalents		4,702	4,074	23,693	22,937
		67,192	70,894	59,851	60,384
Less: Creditors – amounts falling due within one year	17	(31,820)	(36,421)	(27,821)	(29,238)
Net current assets		35,372	34,473	32,030	31,146
Total assets less current liabilities					
		211,350	210,723	191,864	191,268
Creditors – amounts falling due after more than one year	18	(22,306)	(22,306)	(15,307)	(15,307)
Provisions for liabilities	20	(46,393)	(46,393)	(45,100)	(45,100)
Total net assets		142,651	142,024	131,457	130,861
Restricted reserves					
Income and expenditure reserve – endowment reserves	21	288	288	279	279
Unrestricted reserves					
Income and expenditure reserve – unrestricted		122,259	121,632	110,442	109,846
Revaluation reserve		20,104	20,104	20,736	20,736
Total reserves		142,651	142,024	131,457	130,861

The financial statements were approved by the Board of Governors on 16 November 2018 and were signed on its behalf on that date by:


Alastair MacColl
Chairman and Pro-Chancellor


Professor Paul Croney
Vice-Chancellor and Chief Executive

Statement of consolidated cash flows

Year ended 31 July 2018

	Notes	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Cash flow from operating activities			
Surplus for the year		8,617	3,932
Adjustment for non-cash items			
Depreciation	11	9,272	7,706
Revaluation of investment property	13	60	–
Loss/(gain) on sale of fixed assets		9	(13)
Gain on investments		–	(1)
Decrease in stock		8	8
Increase in debtors		(3,253)	(2,182)
Increase in creditors		2,333	1,967
Decrease in pension provision		(594)	(478)
Excess of pension costs over contributions paid		4,457	5,464
Receipt of donated heritage assets		(74)	(128)
Adjustment for investing or financing activities			
Investment income	5	(314)	(309)
Interest payable	8	22	21
Endowment income	5	(4)	(4)
Capital grant income		(1,429)	(1,090)
Net cash inflow from operating activities		19,110	14,893
Cash flows from investing activities			
Proceeds from the sale of fixed assets		8	13
Capital grant receipts		8,723	1,195
Disposal of non-current asset investments		19	13
(Increase)/withdrawal of deposits		(23,000)	14,000
Investment income		227	367
Payments made to acquire fixed assets		(23,792)	(10,611)
Payments made to acquire heritage assets		(148)	(75)
New non-current asset investments		(22)	(5)
		(37,985)	4,897
Cash flows from financing activities			
Interest paid		(20)	(20)
Endowment cash received		4	4
Repayments of amounts borrowed		(100)	(100)
		(116)	(116)
(Decrease)/increase in cash and cash equivalents in the year		(18,991)	19,674
Cash and cash equivalents at beginning of the year		23,693	4,019
Cash and cash equivalents at end of the year		4,702	23,693

Notes to the financial statements

1 Tuition fees and education contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	74,579	74,579	64,883	64,883
International students	7,938	7,938	7,924	7,924
Part-time students	8,644	8,644	9,279	9,279
Education contracts	16,994	16,704	20,235	19,730
	108,155	107,865	102,321	101,816

2 Funding grants

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated and University £000		Consolidated and University £000	
Recurrent grant received from Regulator	11,730		12,016	
Specific grants				
Higher Education Innovation Fund	1,201		962	
Degree Apprenticeships Development Fund	244		–	
National Collaborative Outreach Programme	219		77	
Connecting Capability Fund	92		11	
Capital Grants	1,472		553	
Other	150		121	
	15,108		13,740	

3 Research grants and contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Research Councils	353	353	427	427
UK-based charities	239	239	362	362
UK central government	699	699	627	591
UK Health Service	216	216	271	271
European Commission	611	611	490	490
Other grants and contracts	327	287	381	358
	2,445	2,405	2,558	2,499

4 Other income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Residences, catering and conferences	5,147	5,147	5,169	5,169
Other revenue grants	4,470	4,470	4,283	4,283
Other capital grants	572	572	537	537
Other income	4,782	8,911	5,860	7,184
	14,971	19,100	15,849	17,173

5 Investment income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Investment income on endowments	4	4	4	4
Other investment income	314	306	309	302
	318	310	313	306

6 Donations and endowments

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated and University £000		Consolidated and University £000	
Donations	182		275	

7 Staff costs

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Salaries	61,755	61,590	61,855	61,764
Social security costs	6,529	6,529	6,191	6,190
Movement on USS Provision	(325)	(325)	(67)	(67)
Movement on enhanced pensions provision	(16)	(16)	(162)	(162)
Other pension costs (note 26)	12,796	12,796	12,919	12,919
Restructuring costs	947	947	2,623	2,623
	81,686	81,521	83,359	83,267

The number of staff who received compensation for loss of office which totalled £947,000 was 29 (year ended 31 July 2017: £2,623,000 and 77 staff).

Emoluments of the Vice-Chancellor

	Year ended 31 July 2018 Consolidated and University £	Year ended 31 July 2017 Consolidated and University £
Salary	224,919	212,310
Car allowance	–	9,000
Performance related pay	33,738	31,846
Benefit in kind	3,462	3,883
	262,119	257,039
Pension costs	42,280	34,989
	304,399	292,028

The University's pension contributions to the Teachers' Pension Scheme on behalf of the Vice-Chancellor are paid at the same rates as for other academic staff. Benefit in kind is the cost, to the University, of providing private healthcare. This is offered to all members of the University Executive Team.

For the year ended 31 July 2018 the Vice-Chancellor received an annual cost of living award of 1.7% which was the same as all other members of staff. With effect from 1 August 2017 the Vice-Chancellor's car allowance is included in his base salary and he no longer receives a separate allowance.

The median salary across all staffing groups (including atypical and agency staff) is £32,548 per annum. The Vice-Chancellor's basic salary is 6.9 times greater than the median pay of staff, where the median is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The Vice-Chancellor's total remuneration is 8.4 times the median total remuneration of staff.

Remuneration of other higher-paid staff including benefits in kind and excluding employer's pension contributions

	Year ended 31 July 2018 Consolidated and University number	Year ended 31 July 2017 Consolidated and University number
£100,000 - £104,999	–	1
£105,000 - £109,999	6	4
£120,000 - £124,999	–	4
£125,000 - £129,999	4	–
£160,000 - £164,999	–	1
£165,000 - £169,999	1	–

Average staff numbers by major category (full-time equivalents)

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated number	University number	Consolidated number	University number
Academic and research	725	725	748	748
Administrative and technical	767	760	783	777
Other	142	142	140	140
	1,634	1,627	1,671	1,665

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel. The University defines its key management personnel as those employees who are or have been members of the University Executive Team during the year.

	Year ended 31 July 2018 Consolidated and University £000	Year ended 31 July 2017 Consolidated and University £000
Key management personnel compensation	1,565	1,601

8 Interest and other finance costs

	Year ended 31 July 2018 Consolidated and University £000	Year ended 31 July 2017 Consolidated and University £000
Loan interest	22	21
Net charge on pension schemes	1,111	1,559
	1,133	1,580

9 Analysis of total expenditure by activity

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Academic departments	61,554	61,554	62,350	62,350
Academic services	24,168	24,143	22,113	22,119
Research grants and contracts	2,631	2,594	2,734	2,705
Residences, catering and conferences	3,752	3,752	3,660	3,660
Premises	14,680	14,680	12,598	12,598
Administration	17,157	17,157	16,657	16,657
Other	8,560	12,444	11,013	11,808
	132,502	136,324	131,125	131,897

Other operating expenses include

External auditor's remuneration in respect of audit services	53	49
External auditor's remuneration in respect of non-audit services	173	35

£152,000 of the fees for non-audit services relate to work which was subject to competitive tender. These services were also considered and approved by the Audit Committee with due consideration for any relevant threats and safeguards.

10 Taxation

Group and University

As an exempt charity, the University is potentially exempt from corporation tax on income and gains falling within section 287 of CTA 2009 and sections 471 and 478-488 of CTA 2010 or section 256 of TCGA 1992 to the extent that they are applied for charitable purposes.

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Current tax				
UK Corporation tax of 20% on surplus for the year	–	–	–	–
Factors affecting the tax charge				
Surplus before taxation	8,617	8,586	3,932	3,913
Surplus multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.7%)	1,637	1,631	775	771
Surplus falling within charitable exemption	(1,637)	(1,631)	(775)	(771)
Current tax charge	–	–	–	–

11 Fixed assets

	Freehold land £000	Freehold buildings £000	Assets in the course of construction £000	Vehicles £000	Equipment and furniture £000	Total £000
Consolidated						
Cost						
At 1 August 2017	13,837	185,041	2,190	248	31,674	232,990
Additions in year	–	9,650	11,842	11	3,758	25,261
Transfers in year	–	1,572	(1,572)	–	–	–
Disposals in year	–	–	–	(25)	–	(25)
Written off in year	–	–	–	(5)	(1,322)	(1,327)

At 31 July 2018	13,837	196,263	12,460	229	34,110	256,899
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Consisting of: Valuation as at:

31 July 1997	–	45,082	–	–	–	45,082
31 July 1998	–	1,999	–	–	–	1,999
31 July 2014	13,830	–	–	–	–	13,830
Cost	7	149,182	12,460	229	34,110	195,988
	13,837	196,263	12,460	229	34,110	256,899

Depreciation

At 1 August 2017	–	55,044	–	146	20,632	75,822
Charge for the year	–	6,855	–	24	2,393	9,272
Disposals in year	–	–	–	(13)	–	(13)
Written off in year	–	–	–	(5)	(1,317)	(1,322)

At 31 July 2018	–	61,899	–	152	21,708	83,759
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Net Book Value

At 31 July 2018	13,837	134,364	12,460	77	12,402	173,140
At 31 July 2017	13,837	129,997	2,190	102	11,042	157,168

11 Fixed assets (continued)

	Freehold land	Freehold buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
University	£000	£000	£000	£000	£000	£000
Cost						
At 1 August 2017	13,837	185,404	2,190	248	30,319	231,998
Additions in year	–	9,650	11,842	11	3,758	25,261
Transfers in year	–	1,572	(1,572)	–	–	–
Disposals in year	–	–	–	(25)	–	(25)
Written off in year	–	–	–	(5)	(1,322)	(1,327)
At 31 July 2018	13,837	196,626	12,460	229	32,755	255,907
Consisting of:						
Valuation as at:						
31 July 1997	–	45,082	–	–	–	45,082
31 July 1998	–	1,999	–	–	–	1,999
31 July 2014	13,830	–	–	–	–	13,830
Cost	7	149,545	12,460	229	32,755	194,996
	13,837	196,626	12,460	229	32,755	255,907
Depreciation						
At 1 August 2017	–	55,044	–	146	19,397	74,587
Charge for the year	–	6,855	–	24	2,393	9,272
Disposals in year	–	–	–	(13)	–	(13)
Written off in year	–	–	–	(5)	(1,317)	(1,322)
At 31 July 2018	–	61,899	–	152	20,473	82,524
Net Book Value						
At 31 July 2018	13,837	134,727	12,460	77	12,282	173,383
At 31 July 2017	13,837	130,360	2,190	102	10,922	157,411

Asset revaluations

On adoption of FRS 102 the University has revalued its land to its fair value as at 1 August 2014. The valuation was undertaken by BNP Paribas Real Estate Advisory & Property Management UK Limited.

If the freehold land and buildings had not been revalued they would have been included at the following amounts:

	31 July 2018		31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Cost	178,131	178,435	166,909	167,213
Accumulated depreciation and impairment	(49,334)	(49,334)	(43,111)	(43,111)
	128,797	129,101	123,798	124,102

12 Heritage assets

Consolidated and University	£000
Cost at 1 August 2017	286
Additions in year	222
Cost at 31 July 2018	508

Heritage assets comprise works of art acquired by MIMA.

13 Investment property

Consolidated and University	£000
Valuation as at 1 August 2017	2,150
Loss on revaluation	(60)
Valuation as at 31 July 2018	2,090

The value of the investment property at 31 July 2018 was assessed by an independent valuer. In assessing the value of the property, various factors are considered that can affect the value reported in the accounts including the purpose of the property, the level of occupancy, economic factors and the climate of the property market in general.

The method of valuation was the investment method which involves the capitalisation of the rent by a suitable yield to arrive at the capital value.

14 Non-current investments

	Other Fixed Asset Investments		
	Cost £000	Valuation £000	Total £000
Consolidated			
At 1 August 2017	30	200	230
Additions in year	–	22	22
Disposals in year	–	(19)	(19)
Appreciation	–	7	7
At 31 July 2018	30	210	240

	Other Fixed Asset Investments		Subsidiary companies £000	Total £000
	Cost £000	Valuation £000		
University				
At 1 August 2017	30	200	45	275
Additions in year	–	22	–	22
Disposals in year	–	(19)	–	(19)
Written off in year	–	–	(16)	(16)
Appreciation	–	7	–	7
At 31 July 2018	30	210	29	269

The University's subsidiary companies and its percentage shareholding in each are as follows:

Subsidiary company	Nature of business	Shareholding
University of Teesside Enterprises Limited (Registered in England and Wales)	Commercial activities, enterprise, trading and liaison with industry and commerce.	Limited by guarantee
Teesnap Limited (Registered in England and Wales)	To provide and promote educational and training services relating to nursing, midwifery and associated professions allied to medicine, dental hygiene, dental therapy and to provide management services related to the aforementioned.	100% Ordinary Shares (Issued share capital – £100)
Teesside (Beijing) Education Consulting Co Ltd (Wholly foreign-owned enterprise of the People's Republic of China)	Provision of consultation services and foreign communication and exchange in relation to education.	100% registered capital (Registered capital RMB 300,000)
Teesside Sports Injury Centre Limited	Treatment of sports-related injuries.	100% Ordinary Shares (Issued share capital – £100)

The University also consolidates The Friends of the University of Teesside Trust, an independent trust which may provide funds for the assistance and benefit for educational purposes of the University and for other charitable purposes which are connected with and acceptable to the University. It is dormant.

Other fixed asset investments at cost consist of:

Consolidated and University **£000**

At 31 July 2018 and 31 July 2017

CVCP Properties plc **30**

The University is a shareholder in CVCP Properties plc together with other university members of Universities UK. CVCP Properties plc's principal asset is Universities UK's headquarters, Woburn House. The total issued ordinary share capital of CVCP Properties plc is £4.8m.

Other fixed asset investments at valuation comprise:

	31 July 2018 Consolidated and University	31 July 2017 Consolidated and University
	£000	£000
Equities	180	170
Cash held within investment portfolio	30	30
	210	200

All other investments are carried at their fair value. Investment in equities are all traded in quoted public markets, primarily the London Stock Exchange. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

Details of the investments in which the group and the University hold 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
Chemicam Limited	Ordinary shares	20%	Visible wavelength hyperspectral imaging for the positive identification of blood
Teegene Biotech Limited	Ordinary shares	20%	Extraction of high-value chemicals from algae, plants to micro-organisms for production of biosurfactants
Hot Coatings Limited	Ordinary shares	24%	Research and development of novel flexible thermally and electrically resistant coatings
Anasyst Limited	Ordinary shares	22%	Design and development of microfluidic devices for sophisticated fluid operations in miniaturised format

Whilst the above are considered associates, on the grounds of materiality these have been accounted for as investments.

15 Trade and other receivables

	31 July 2018		31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year				
Trade receivables	6,404	5,189	4,214	3,976
Amounts due from subsidiary companies	–	6,936	–	3,846
Prepayments and accrued income	9,018	7,627	7,868	5,549
	15,422	19,752	12,082	13,371

16 Current investments

	31 July 2018 Consolidated and University £000	31 July 2017 Consolidated and University £000
Short-term deposits	47,000	24,000

Deposits are held with banks operating in the London market and licensed by the Financial Services Authority with more than three months maturity at date of placement. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

At 31 July 2018 the weighted average interest rate of these fixed rate deposits was 0.85% (2017: 0.77%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 125 days. The fair value of these deposits was not materially different from the book value.

17 Creditors – amounts falling due within one year

	31 July 2018		31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Secured loans	100	100	100	100
Payments received on account	8,420	7,527	6,481	5,358
Trade payables	7,405	7,404	7,470	7,451
Social security and other taxation payable	1,853	1,851	1,836	1,833
Accruals and deferred income	14,042	13,954	11,934	11,881
Amounts due to subsidiary companies	–	5,585	–	2,615
	31,820	36,421	27,821	29,238

18 Creditors – amounts falling due after more than one year

	31 July 2018 Consolidated and University £000	31 July 2017 Consolidated and University £000
Secured loans	83	183
Deferred income – government capital grants	22,223	15,124
	22,306	15,307

19 Analysis of secured loans

	31 July 2018 Consolidated and University £000	31 July 2017 Consolidated and University £000
Due within one year	100	100
Due between one and two years	83	100
Due between two and five years	–	83
Total secured loans	183	283

Secured loans comprise mortgages at 0.3% above LIBOR, repayable by instalments and secured on freehold properties of the University.

The University has a formal set-off arrangement with Lloyds Bank in respect of a loan facility. At 31 July 2018 the amount of the loan outstanding was £2,708,000 (31 July 2017: £3,250,000) with the equivalent amount being held on deposit by the bank. The interest rate charged on the loan is 0.25% above Bank of England Base Rate.

20 Provisions for liabilities

	Defined benefit obligation £000	Enhanced pensions £000	Obligation to fund deficit on USS pension £000	Total £000
Consolidated and University				
At 1 August 2017	39,747	4,880	473	45,100
Utilised in year	–	(389)	(13)	(402)
Charged/(credited) to the Statement of Comprehensive Income	1,887	111	(303)	1,695
At 31 July 2018	41,634	4,602	157	46,393

Defined benefit obligations

Defined benefit obligations relate to the liabilities under the University's membership of the Local Government Pension Scheme. Further details are given in note 26.

Enhanced pensions

The enhanced pension provision relates to the cost of staff who have already left the University's employment. This provision is recalculated each year end. The principal assumptions for this calculation are:

	31 July 2018	31 July 2017
Price inflation	2.1%	2.0%
Discount rate	2.8%	2.6%

Obligation to fund deficit on USS pension

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS and salary payment over the period of the contracted obligation in assessing the value of the provision.

21 Income and expenditure reserve – endowment reserves

Restricted net assets relating to endowments are as follows:

Consolidated and University	Restricted Expendable £000	Restricted Permanent £000	2018 Total £000	2017 Total £000
At 1 August 2017				
Capital	39	119	158	137
Accumulated income	3	118	121	118
	42	237	279	255
Investment income	1	4	5	5
Expenditure	(1)	(2)	(3)	(2)
Increase in market value of investments	–	7	7	21
Total endowment comprehensive income for the year	–	9	9	24
At 31 July 2018	42	246	288	279
Represented by				
Capital	39	126	165	158
Accumulated income	3	120	123	121
	42	246	288	279
Analysis by type of purpose:				
Lectureships	11	–	11	11
Prize funds	12	2	14	14
Scholarships and bursaries	19	31	50	50
Research support	–	213	213	204
	42	246	288	279
Analysis by asset:	31 July 2018 £000	31 July 2017 £000		
Non-current investments	210	200		
Cash and cash equivalents	78	79		
	288	279		

22 Capital and other commitments

	31 July 2018 Consolidated and University £000	31 July 2017 Consolidated and University £000
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted for	25,893	4,630

23 Lease obligations

Total rentals payable under operating leases

Consolidated and University	Land and buildings £000	31 July 2018 Plant and machinery £000	Total £000	Land and buildings £000	31 July 2017 Plant and machinery £000	Total £000
Payable during the year	211	134	345	558	142	700
Future minimum lease payments due:						
Not later than one year	–	19	19	168	35	203
Later than one year and not later than five years	–	66	66	–	199	199
Total lease payments due	–	85	85	168	234	402

24 Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (being primarily drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. Members of the Board of Governors are required to declare any outside interests. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

The University has taken advantage of the exemptions under section 33 of FRS 102 for '100%' or 'wholly owned' subsidiaries not to disclose inter-group transactions.

These financial statements reflect the following transactions with related parties, which were undertaken on an arm's length basis and under normal commercial terms:

Name	Nature of Interest	2017-18		2016-17	
		Income/ (expense) £000	Amount due to/(from) £000	Income/ (expense) £000	Amount due to/(from) £000
Academic Health Science Network	Non-Executive Director is a Governor	34	–	–	–
BE Group	Chairman is a Governor	(17)	–	(56)	–
Middlesbrough Council	Principal Cohesion Officer and Director of Public Health are Governors	629 (549)	20	616 (784)	19 –
Middlesbrough Football Club	Director is a Governor	(78)	–	–	–
Middlesbrough Football Club Foundation	Director and Trustee is a Governor	14 (10)	–	7 (13)	– –
PD Ports	Chief Financial Officer is a Governor	30	–	20	–
Rockliffe Hall Ltd	Director and Company Secretary is a Governor	(32)	–	(2)	–
South Tees Hospital NHS Foundation Trust	Chief Executive is a Governor	15 (327)	5	6 (278)	120 –
Tees Valley Combined Authority	Board member is a Governor	158	39	239	–
Teesside University Students' Union	Trustee and President are Governors	384 (1,955)	–	12 (1,322)	10 –
Thirteen Group	Chief Executive is a Governor	5	–	(2)	–

No Board member has received any remuneration or has waived payments from the Group during the year (2017 – none).

The total expenses paid to or on behalf of four Board members was £1,622 (2017 – £1,646 to six Board members).

Two Officer Trustees of Teesside University Students' Union (TUSU) are members of the Board of Governors. The financial statements of TUSU are separately audited and are not consolidated with the University.

TUSU received a block grant from the University of £1,692,000 (2017: £1,322,000).

25 Financial instruments

Overview

The University has exposure to the following risks from its use of financial instruments:

- > Credit risk
- > Liquidity risk
- > Exchange rate risk
- > Interest rate risk

This note presents information about the group's exposure to each of the above risks and its objectives, policies and processes for managing risk.

Categories of financial instruments

	31 July 2018		31 July 2017	
	Consolidated £000	University £000	Consolidated £000	University £000
Financial assets				
Equities and investment funds	210	210	200	200
Trade and other receivables	6,404	12,125	4,214	7,822
Long-term cash deposits	47,000	47,000	24,000	24,000
Cash and cash equivalents	4,702	4,074	23,693	22,937
	58,316	63,409	52,107	54,959
Financial liabilities				
Loans	183	183	283	283
Trade and other payables	7,405	12,989	7,470	10,066
	7,588	13,172	7,753	10,349

These financial assets and liabilities are all basic financial instruments in accordance with section 11 of FRS 102. They are measured at amortised cost with the exception of equities and investment funds which are measured at fair value through the statement of comprehensive income.

Risk management

The group operates a centralised treasury function which is responsible for managing the credit, liquidity and interest risk associated with the group's activities. These financial risks are managed within parameters specified by the Treasury Management Policy. The group's Treasury Management Policy governs all treasury management activities and sets out relevant policy objectives and control measures. It is reviewed and approved by the University Resources Committee annually. The Treasury Management Policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Services, as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) as recommended by the University's funding regulator.

The group's principal financial instruments are cash, short-term deposits and investments. The core objective of these financial instruments is to meet financing needs of the group's operations. Additionally, the group has other financial assets and liabilities arising directly from its operations ie trade debtors and creditors.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's Treasury Management Policy and Financial Regulations lay out the framework for credit risk management. Credit risk is monitored on an on-going basis.

The group's credit risk arises from bank balances, investments, student debtors and government and commercial organisations as customers. Management of credit risk is a prime objective of Treasury Management Policy. At 31 July 2018, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet. The Treasury Management Policy states maximum level of investments for each counterparty to mitigate risk concentration. Similarly, the group's investment decisions are based on strict minimum credit worthiness criteria to ensure the safety of cash and investments. Credit worthiness of the group's banks and money market funds is regularly monitored. Generally, the group does not require collateral against financial assets.

Student, government and commercial debtors are reviewed on an on-going basis and bad debt provisions are made if recovery of credit becomes uncertain. A debtor deemed irrecoverable is written off in accordance with the Financial Regulations. The concentration of risk is limited due to the student base being large and diverse.

Liquidity risk

Liquidity risk refers to the risk that the group will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities.

Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds. The group policy is to maintain a minimum liquidity of up to £35m and invest excess funds for maturity of no more than 12 months. At 31 July 2018, the group is holding cash deposits and investments of various maturities, none of which is greater than 12 months. The average maturity of all deposits and investments is 268 days.

Exchange rate risk

Exchange rate risk refers to the risk that the unfavourable movements in foreign exchange rates may cause financial loss to the group.

The group's principal foreign currency exposures arise from research-related receipts and payments denominated in euros. There are ring-fenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall exchange rate exposure is immaterial, being an insignificant portion of total income and expenditure. At 31 July 2018, the sterling equivalent of all euro bank balances was £1.8m (2017: £1.1m).

Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of Balance Sheet items (ie price risk) or changes in interest income or expenses (ie re-investment risk).

The group's main financing relates to two loans with a total amount outstanding of £2.9m (2017: £3.5m). Interest is charged at margins above base rate and LIBOR. At 31 July 2018, balance sheet values of deposits and investments are not exposed to changes in interest rates. However, the group's interest and investment income is exposed to changes in interest rates ie reinvestment rate risk. The group is prepared to accept re-investment risk to exploit opportunities where yield can be maximised without compromising capital base of the investment. The group has no outstanding derivative instruments as at 31 July 2018 (2017: nil).

26 Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme England and Wales (TPS) and the Local Government Pension Scheme (LGPS), established locally as the Teesside Pension Fund (TPF). At 31 July 2018 ten members (2017: 11) of staff were members of the Universities Superannuation Scheme.

The total pension cost for the University and its subsidiaries was:

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
TPS	4,658	4,904
TPF including FRS 102 adjustments	8,041	7,903
Other pension schemes	97	112
Total pension cost (note 7)	12,796	12,919

The assumptions and other data relevant to the determination of the contribution levels, paid during the year, of the more significant schemes are as follows:

	TPS	TPF
Investment returns per annum	6.5%	4.7%
Salary scale increase per annum	4.4%	3.0%
Pension increase per annum	2.9%	2.0%
Market value of assets at date of last valuation	£115,800m	£3,133m
MFR proportion of members' accrued benefits covered by the actuarial value of the assets	99.5%	100%

Basic employer contribution rates used during the year to 31 July 2018:

	TPS	TPF
1 August 2017 to 31 March 2018	16.48%	14.3%
1 April 2018 to 31 July 2018	16.48%	14.4%

26 Pension schemes (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including universities. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The University is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The University has set out above the information available on the plan and the implications for the University in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191.5bn and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176.6bn giving a notional past service deficit of £14.9bn
- an employer cost cap of 10.9% of pensionable pay
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable at some point in 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £4,658,000 (2017: £4,904,000).

26 Pension schemes (continued)

Teesside Pension Fund

Introduction

The disclosures below relate to the funded liabilities within the Teesside Pension Fund (TPF).

The TPF is a funded defined benefit plan, with the assets held in separate funds administered by Kier Pensions Unit on behalf of Middlesbrough Borough Council. Benefits up to 31 March 2014 are linked to final salary and benefits after that date are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

Funding/Governance Arrangements of the TPF

The funded nature of the TPF requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The total contributions made for the year ended 31 July 2018 were £6,410,000, of which employer's contributions totalled £4,559,000 and employees' contributions totalled £1,851,000.

During the year, the University's contribution rate was 14.3% until 31 March 2018 and 14.4% thereafter. Employees' contribution rates range from 5.5% to 12.5%, depending on salary and for full pension entitlement. From 1 April 2014 employees were able to opt for a 50% pension entitlement and their contribution rate is half of the standard rate whilst the employer's contribution rate remains at unchanged. In addition, the University is required to make an additional monetary contribution which for the year ended 31 July 2018 was £314,000.

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, 'GMP'. The government will need to consider this outcome in conjunction with the government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

Assets

The assets allocated to the employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

Risks associated with the Fund in relation to accounting

Asset Volatility

The liabilities used 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 in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

Changes in Bond Yield

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in assets as a result.

Inflation Risk

The majority of pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

Life expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Exiting employers

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of overall liabilities in the Fund.

26 Pension schemes (continued)

Principal actuarial assumptions

The latest actuarial valuation of Teesside University's liabilities took place as at 31 March 2016. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The next full actuarial valuation of the Fund will be at 31 March 2019. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 102 purposes were:

	At 31 July 2018	At 31 July 2017
	%	%
Rate of increase in salaries	3.1	2.0
Future pensions increases	2.1	2.0
Discount rate for scheme liabilities	2.8	2.6
Inflation assumption (CPI)	2.1	2.0

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectancies on retirement age 65 are:

	At 31 July 2018	At 31 July 2017
	years	years
Retiring today		
Males	22.9	22.8
Females	25.0	24.9
Retiring in 20 years		
Males	25.1	25.0
Females	27.3	27.2

The University's share of the assets in the plan at the balance sheet date and the actual return were:

	At 31 July 2018	At 31 July 2017
	Share of the assets	Share of the assets
	%	%
Equities	73.0	79.1
Other bonds	–	0.1
Property	7.7	6.4
Cash	18.0	12.8
Other	1.3	1.6
	100	100

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

Assumption	Change in Assumption	Impact on fund deficit
Discount rate	Decrease by 0.1%	Increase by £5.0m
Rate of salary growth	Increase by 0.1%	Increase by £1.3m
Rate of increase to pensions in payment	Increase by 0.1%	Increase by £3.7m
Members live longer than assumed	One year longer	Increase by £6.8m

26 Pension schemes (continued)

	At 31 July 2018 £000	At 31 July 2017 £000
Analysis of amounts shown in balance sheet		
Fair value of Fund assets	189,241	172,757
Present value of Fund liabilities	(230,875)	(212,504)
Deficit in the scheme recorded within provisions (note 20)	(41,634)	(39,747)
	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Amounts included in staff costs		
Current service cost	7,627	7,900
Past service cost	414	3
	8,041	7,903
Amounts included in interest and other finance costs		
Net interest cost	975	1,423
Amount recognised in other comprehensive income		
Asset gains arising during the year	10,163	22,789
Experience (losses)/gains on liabilities	(7,593)	4,133
	2,570	26,922
Deficit at 1 August	(39,747)	(61,205)
Movement in year:		
Current service cost	(7,627)	(7,900)
Employer contributions	4,559	3,862
Past service cost	(414)	(3)
Net interest on defined liability	(975)	(1,423)
Actuarial gains	2,570	26,922
Deficit at 31 July	(41,634)	(39,747)
Changes in the present value of defined benefit obligations		
Defined benefit obligations at 1 August	212,504	205,946
Current service cost	7,627	7,900
Interest cost	5,491	4,919
Contributions by scheme participants	1,851	1,789
Actuarial losses/(gains)	7,593	(4,133)
Benefits paid less individual transfers in	(4,605)	(3,920)
Past service cost	414	3
Defined benefit obligations at 31 July	230,875	212,504

26 Pension schemes (continued)

Changes in the fair value of fund assets

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Fair value of Fund assets at 1 August	172,757	144,741
Interest on Fund assets	4,516	3,496
Actuarial gains	10,163	22,789
Contribution by the employer	4,559	3,862
Contributions by scheme participants	1,851	1,789
Benefits paid	(4,605)	(3,920)
Fair value of Fund assets at 31 July	189,241	172,757

History of experience gains and losses

	2018	2017	2016	2015	2014*
Difference between actual and expected return on Fund assets:					
Amount (£000)	10,163	22,789	7,714	4,560	(13,006)
Percentage of scheme assets	5.4%	13.2%	5.3%	3.5%	(10.9%)
Experience (losses)/gains on Fund liabilities					
Amount (£000)	(7,593)	4,133	(34,683)	545	(5,732)
Percentage of the present value of Fund liabilities	(3.3%)	1.9%	(16.8%)	(0.3%)	(3.7%)

*These figures are presented under old UK GAAP and the previous HEFE SORP.

Actual return on Fund assets

	Year ended 31 July 2018 £000	Year ended 31 July 2017 £000
Interest income on Fund assets	4,516	3,496
Actuarial gains on assets	10,163	22,789
	14,679	26,285

The Teesside Pension Fund assets do not include any of the University's own financial instruments or any property occupied by the University.

This publication is available in alternative formats on request.
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