

Inspiring success



# Governors' Report and Financial Statements

for the year ended  
31 July 2009

**THE AWARDS**  
*Times Higher Education*  
**UNIVERSITY OF THE YEAR**



University of Teesside – trading as Teesside University







## Contents

<b>Foreword from the Chairman</b>	3
<b>Board of Governors</b>	5
<b>Operating and Financial Review</b>	6
<b>Corporate Governance</b>	15
<b>Independent Auditors' Report</b>	17
<b>Statement of Principal Accounting Policies</b>	19
<b>Consolidated Income and Expenditure Account</b>	22
<b>Statement of Group Historical Cost Surpluses and Deficits</b>	23
<b>Statement of Group Total Recognised Gains and Losses</b>	24
<b>Balance Sheets as at 31 July</b>	25
<b>Consolidated Cash Flow Statement</b>	27
<b>Notes to the Financial Statements</b>	28





## Foreword from the Chairman

It is with even more pleasure than usual that I provide an introduction to the Governors' Report and Financial Statements of Teesside University.

As you will see in the pages which follow, the University remains true to its mission of Providing Opportunities, Promoting Enterprise, Delivering Excellence. You will also see that this is achieved on the basis of the sustained strength of our financial performance.

Shortly before going to press, the University won the *Times Higher Education Awards* for being University of the Year, and for delivering an Outstanding Employer Engagement Initiative. Both Awards provide further evidence of the recognition of the progress being made by staff and students, in collaboration with a wide range of partner organisations.

I would also like to take this opportunity to pay tribute to the consistently excellent leadership of Professor Graham Henderson and his team. I have no doubt that further success will follow.

Sandy Anderson FREng DL  
Chairman







# Board of Governors

## Independent Members

Mr Sandy Anderson (Chair)  
Mrs Pam Eccles (resigned 17 July 2009)  
Mr Neil Etherington  
Mr Chris Fleetwood (appointed 17 October 2008)  
Mr Ernie Haidon  
Mr John Irwin  
Mr Eric Lloyd (retired 16 January 2009)  
Mr Alastair MacColl (Deputy Chair)  
Mr Sean Price  
Mr Keith Robinson  
Mr Tom Shovlin (retired 16 January 2009)  
Mrs Alison Thain  
Mrs Judyth Thomas  
Mr Haani Ul-Hasnain (resigned 17 July 2009)

## Co-opted Members

Mrs Liz Barnes (resigned 17 July 2009)  
Mr Paul Booth  
Mr Tom Cawkwell  
Mr Bob Cuffe (appointed 8 May 2009)  
Ms Tricia Hart (appointed 14 November 2008)  
Mr David Heaton (appointed 16 October 2009)  
Dr Terry Murphy  
Ms Jan Richmond (resigned 16 January 2009)  
Professor Gerda Roper (appointed 17 July 2009)  
Mr Peter Rowley  
Mrs Beverly Simpson  
Ms Amanda Skelton (appointed 8 May 2009)

## Vice-Chancellor and Chief Executive

Professor Graham Henderson

## Secretary

Mr J Morgan McClintock

# Operating and Financial Review

## Strategic Plan

### Introduction

Originally founded as Constantine College, the institution was officially opened by the Prince of Wales, the future King Edward VIII, on 2 July 1930. The College became a polytechnic in 1969 and, in 1992, under Privy Council approval joined 13 other higher education institutions (HEIs) in becoming a new university.

During the last 12 months the University went through an extensive rebranding exercise and has been renamed Teesside University with a new logo which offers a more dynamic and contemporary representation of the University. The new brand marked the start of a marketing campaign to raise the profile of the University regionally, nationally and internationally.

The University derives income from a wide variety of sources but much of its funding comes from grants from the Higher Education Funding Council for England (HEFCE) and from tuition fees. HEFCE is the major public sector funder of HEIs as a whole, and the University, in common with all other HEIs, is accountable to HEFCE for the public funds which HEFCE provides. HEFCE is also being appointed as the principal regulator of the sector under the Charities Act. The relationship between the University and HEFCE is codified in a Financial Memorandum, which sets out the rights and responsibilities of both parties.

The University competes with other HEIs, and with further education colleges in some instances, to recruit students from the United Kingdom and abroad. It also has significant teaching contracts with National Health Service bodies and other organisations, obtained in competition with other providers.

The University is also subject to regulation by the Office for Fair Access (OFFA), in respect of the tuition fees which it charges to full-time undergraduate students and the financial assistance given to students, under the Higher Education Act 2004.

### Mission

The University's mission is encapsulated in the following:

#### Providing Opportunities, Promoting Enterprise, Delivering Excellence

Working in partnership to enable individuals and organisations to achieve their potential through high-quality learning, research and knowledge transfer.

Central to the pursuit of this mission is the belief that:

- widening opportunity and the pursuit of excellence can co-exist within a university and that all higher education takes place within a context of the University continually seeking to enhance the quality of its academic provision and the student experience; and
- the University is a major driver of the economic, social and cultural development within the Tees Valley, North Yorkshire and the wider North East region through its education, research, innovation and community engagement.

It is the University's aim to continue its successful trajectory as an institution which provides both effective support for business through education, innovation and knowledge transfer and well-rounded, highly skilled, enterprising graduates with specific subject or professional competence and the necessary capabilities for employability.

In pursuit of this aspiration, the University maintains a very broad range of qualifications from Access and NVQ Level III programmes, through certificates and diplomas, foundation, ordinary and honours degrees, to master's programmes, postgraduate professional qualifications, taught and research-based doctoral programmes and other higher doctoral programmes by research.

## Operations

### Overview

Full-time undergraduate students continue to represent an important part of the University's student profile, however, we strongly support part-time and vocational provision, with over 60% of all students currently studying on a part-time basis.

The University has a very strong sub-regional Higher Education Business Partnership (HEBP) with local and regional further education colleges and employers to provide potential learners with access to extensive ladders/webs of accessible higher education opportunities on a distributed basis.

The University is continuing to develop its research capability. A strong emphasis is also placed upon engendering an ethos of applied research and development capable of responding to regional needs through knowledge and technology transfer, business support and advice, the placement of students within the work environment, work-based learning and the creation of new start-up and spin-out companies. As a result, the University continues to ensure that its programmes of study are appropriately underpinned by research, scholarship and evidenced-based contemporary professional practice and equally makes a growing contribution to the wealth-generating capacity of the North East economy.

### Raising Aspirations and Widening Participation

The University has a comprehensive range of initiatives in place designed to drive up aspirations and participation across the wider Tees Valley. The pre-16 work begins in primary schools (Year 6) as pupils join the Meteor programme and this continues as they transfer to secondary school. The University intends to implement this model in its partner academies and trust schools in Middlesbrough, Stockton and Redcar & Cleveland. Partnership between schools, parents, the University and other organisations that support young people is a key feature of the programme in its initial stages. The Meteor model has been accepted as an exemplar of good practice in

the HE sector and 12 university partners across the UK have introduced the 'Meteor model' into their pre-16 work. Within the North East the University is leading three university partners (Newcastle, Northumbria and Sunderland) in the delivery of science, technology, engineering and mathematics across the region using the Meteor model. This work is funded by One North East as part of their Regional Integrated Science Strategy.

The University offers a Passport scheme in partnership with 32 colleges which has over 8,000 student registrations and offers encouragement and support to students considering progression to higher education. The Adult Passport scheme introduced in 2008 to support mature learners has a healthy membership of over 500, drawn from six of our local further education colleges. In recognition of the long-standing partnership arrangements with the University, ten of our school and college partners in the Tees Valley have signed up to our Passport Plus scheme. This arrangement provides an enhanced range of benefits to individual students, teachers and the institution.

In response to the government's policy of encouraging universities to build on their support of schools the University is the lead sponsor on two local academy developments and a partner with a local college and academy on a third development.

Our Spring and Summer University programme offers a vital route for mature students who would progress to full- and part-time higher education programmes through a non-traditional route.

The University's record in widening participation continues to exceed all benchmarks and the excellence of our work is widely acknowledged, not least in the grant allocation from HEFCE.

### Student Recruitment

In terms of the student profile the University will focus on limited growth in full-time undergraduate students in areas where demand is strong and where new academic programmes are developed. This will be achieved within a funding framework of capped full-time undergraduate new entrants for at least the next two years.

The University is aiming for selective growth within its full-time postgraduate student numbers through focussing on a small number of niche and/or high-demand areas

particularly in response to international demand and having two entry points per year. The University is hopeful of growing its part-time postgraduate student numbers across all areas and initiating specific developments related to employment sector and professional development needs. However, recruitment of postgraduate students for the 2009-10 academic year has been disappointing and managers are working to identify the reasons behind this.

Part-time students represent a significant and growing proportion of the student body and there is a market and potential for future growth even within these uncertain economic times. This will require distinctive and specifically targeted programmes for increased delivery in the workplace and by our partner colleges. In addition the University is planning to expand significantly the number and range of foundation degrees on offer both directly from its own academic schools and its partner HEBP colleges. Given the full-time funding constraints, referred to earlier, the main focus of these developments will be on part-time delivery.

During the year the University has been progressing the business case for the construction of a University facility in Darlington which would provide a range of predominantly part-time courses including foundation degrees and degree and master's programmes. Darlington was identified as a suitable location because the University already has strong links with the College, there is a significant population for whom part-time HE is not within easy access and Darlington Borough Council is confident that a 'University Town' would enhance its regeneration strategy. This proposal was agreed by the Board at its July 2009 meeting. The University has identified a site and construction is due to commence in the forthcoming year with completion anticipated by September 2011. As an interim solution the University has taken a short-term lease on a building in Darlington and from the beginning of this academic year has begun to offer a number of part-time courses.

The University continues to develop its relationships with employers and, despite some delays in programme approval, recruitment has been stronger than anticipated and senior managers are pleased with the success achieved in this new and developing area.

In February 2009 the University established a new Department of Marketing & Student Recruitment which brought together its expertise in schools and colleges liaison and corporate communications. This Department is providing a step change in recruitment, marketing and communications practice and in the forthcoming year the Department will be leading on other new initiatives relating to alumni development, sponsorship, events management and fund raising.

The University has continued to increase its investment in, and development, of its international recruitment activities with the result that international student numbers have doubled in 2008-09, compared to the prior year, and are forecast to increase again in 2009-10. The strategy is initially focussing on establishing a strong Teesside presence in China, SE Asia and India. To this end country offices have been established in SE Asia and India and the University is in the process of establishing a permanent presence in Beijing, China. A network of agents has been established and other key partnerships are under development. The University is developing a number of trans-national arrangements with both EU and international partners. The University is mindful of the need to be selective in working with overseas organisations and will only proceed with those who can both enhance its reputation and support programmes in areas of targeted activity.

### Student Experience

The University strives to achieve an excellent, inclusive and appropriately resourced learning environment based upon an outstanding campus, a 'whole life cycle' approach to the student experience and learning characterised by innovative, exciting and relevant approaches. The results of the recently published 2009 National Student Survey showed an increase in overall satisfaction levels from 83% to 84% which is above the national average. Especially pleasing was the score that 87% of the survey participants would recommend Teesside University to others which is 14% higher than the national average. Seven of the University's subjects were in the top ten (for their subject) nationally for overall student satisfaction namely:

- History
- Nursing
- Law

- Design studies
- Social work
- Psychology
- Medical technology.

Areas of concern which were highlighted in the 2008 Survey showed improvement this year especially Anatomy, Physiology and Pathology which improved its overall satisfaction score from 53% to 92%. Whilst the results are extremely pleasing, the University is aware that competitors are always striving to improve their rankings and will not become complacent. The few areas of concern identified within the Survey are being addressed.

In other surveys the University was the second highest-placed modern university in the *Times Higher's* Student Experience Survey and was in the top five over a number of categories in the International Student Barometer survey including overall support (1st place), overall learning (2nd place) and overall living (3rd place).

The Student Services Department has also been successfully re-accredited against the nationally recognised Matrix quality standard which is a national standard for organisations delivering information, advice and/or guidance in relation to learning and work.

## Teaching

The University has taken deliberate steps to support and promote teaching excellence in support of the student experience. A new Learning, Teaching and Assessment strategy has been developed, with key priority areas designed to reflect current developments in the University.

The University's excellence in teaching was once again recognised by the Higher Education Academy with the award of a further prestigious National Teaching Fellowship. The University has achieved a total of eight National Teaching Fellows. The high quality of teaching was also recognised in the National Student Survey with an increased satisfaction score of 84%.

The University continues to support new and innovative teaching methods, with e-submission and e-feedback coming on stream for all students. The University has also enhanced and expanded its capabilities to record and 'podcast' lectures. Work-based learning remains a key area of development for the University and curriculum development for flexible and distance

delivery is supporting the needs of employers and students. The University continues to disseminate good practice through its Learning and Teaching conference which is one of the longest established of such conferences in the UK.

The University is focussing its academic development around seven cross-institutional clusters whose roles are to both ensure that the University responds appropriately to cross-cutting themes and priorities at regional and national level and conceive, initiate, facilitate, co-ordinate, generate and drive forward multi-disciplinary concepts for programme development and delivery for undergraduate, postgraduate and work-based learning. The clusters are not just a focal point for teaching but also for:

- strategic debate
- ideas generation
- enterprise and knowledge transfer activity
- investment of resources
- marketing and promotion activities of the University's activities and expertise.

In order to continue to be competitive and meet changing needs the University continues to adopt a continuous and holistic approach to refreshing courses, developing new areas and building the capacity to support these areas by rationalising the number of courses on offer. During the year the University formalised this strategy within its Academic Programme Portfolio Review which will assist, inter alia, in identifying clear objectives for existing programmes, identifying opportunities and potential for new programme and market development and assist the Schools in the formulation of their medium-term academic strategies.

Our long-standing and excellent collaboration with the NHS North East Strategic Health Authority (SHA) for the provision of nursing, allied health professions and continuing professional development continues to be maintained. This is again substantiated in the SHA's Annual Monitoring and Review of our commissioned activity in March 2009, wherein the School of Health & Social Care was commended for its excellence, innovation and quality. There were no recommendations or conditions as a result of that Review and a number of initiatives were cited as examples of good practice for dissemination. The University has now been commissioned for the provision of dental care education by the SHA for nurses,

hygienists and therapists with the programmes scheduled to commence in September 2010 within a brand-new four-storey purpose-built building. The latter developments have now been complemented by additional programmes for dental advisers and dental technicians which will provide a national profile for dental care at Teesside.

The School also works very closely with the NHS Collaboratives which have been established to determine workforce planning requirements for the future. Additional NHS activity which is now gaining some momentum includes the End of Life Care and Dementia Care strategies which the School is already responding to. The successful outcomes from the Research Institute for Health & Social Care are also acknowledged by the NHS and SHA because the work undertaken is very relevant to the health and well-being of the population of the North East.

The University has always paid great attention to the student voice in supporting the development of its teaching, and is now including students in the development/review of all programmes. The role of the student voice was reviewed during the year and recommendations for further enhancement of their role in the on-going development of the University are being taken forward.

## Workforce Development Activities

The year saw the first phase of the Strategic Development Fund (SDF) project 'Building the Future', which is providing HEFCE funding of £5.2m over three years to develop the infrastructure to deliver 855 co-funded additional student numbers by 2010-11.

Key developments included:

- implementation and roll-out of a CRM system to support relationships with employers and provide comprehensive management information in support of the business engagement agenda
- a programme of awareness raising and staff development, beginning with a University-wide event on 12 December 2008 launching the new programme
- appointment of a team of Business Account Managers in academic Schools, working with Assistant Deans
- development of working protocols and a Statement of Intent with Business and Enterprise North East (BE-NE), which is leading to a better understanding of

mutual agendas and consequent delivery of activity

- registration for a business quality standard, Putting the Customer First.

Some 255 FTE co-funded numbers were delivered during the year, on courses in health, business, science and engineering and social sciences. This number fell somewhat short of the University's revised target, partly because of the impact of the recession and partly because of delays in completions. The shortfall means that the University will need to give even greater attention to delivering co-funded numbers for 2009-10 and 2010-11, and this will thus be a major priority for the University over that period.

The University grew its reputation for workforce development through a number of high-profile conferences, receipt of the *Times Higher* Employer Engagement Initiative of the Year award, and participation in the Higher Education Academy Change Academy programme, which has since led to a Transformational Change project with Plymouth University, looking at what makes a business-facing university.

Key challenges for the year ahead are:

- delivery of the co-funded FTE numbers. A pipeline of activity in Schools is actively monitored and reported on monthly to minimise the risk of non-delivery. The volatility of the employer market means that this risk will always be present, and that there can be no delays in developing new employer programmes
- building up workforce development activity for the new Darlington campus
- preparing for the end of SDF funding in 2011. There will be a mid-term evaluation, in early 2010, followed by the development of a full exit strategy
- stimulating greater engagement in workforce development across academic Schools, via a range of measures including an internal communications plan and the introduction of a career progression process
- embedding the CRM as a University-wide tool for employer engagement.

## Business Engagement Activities

The University made significant headway during the year in developing internal systems and establishing its pre-eminence in working with employers. However, maintaining its position and ensuring an excellent standard of provision for and partnership with business is a key priority for the coming year.

A successful bid to HEFCE's Economic Challenge Investment Fund (ECIF) in early 2009 provided almost £0.9m (including matched funding from the Regional Development Agency and BE-NE) to support the delivery of a range of measures to help businesses and individuals through the recession. The project is being delivered by the OneDoor partnership, established in 2008 with the HEBP college partners, with the aim of providing employers with a single point of access to higher-level skills and innovation support. ECIF began operation in July 2009 accompanied by a marketing campaign, and has some challenging targets to meet by September 2010.

## Enterprise and Knowledge Transfer

The University's revised Business Engagement Strategy, covering business start-up and incubation, consultancy, knowledge transfer and commercialisation and incorporating workforce development, has recently been approved. The Strategy commits the University to developing a leading role in business engagement in the sector.

During 2008-09, key developments included:

- the award of £9.2m in grants to support the enterprise and knowledge transfer agenda, including five ERDF projects totalling £5m
- further development of dlab, the School of Arts & Media's design innovation centre, which is developing a key regional role in advancing the design agenda, and is now working on a major regional project as part of Design Network North to create City1, a virtual city
- the award of UK Business Incubation Champion of the year, for the University's business incubation team, and a second Kauffman Fellowship award for a Graduate Business Unit
- the development of a regular performance indicator reporting system for enterprise, which provides quarterly reports on the achievements of individual Schools and the University overall

- over 20 Knowledge Transfer Partnerships (KTPs) and Collaborative Innovation Partnerships (CIPs), with CIPs at Teesside outnumbering the total number of CIPs in the rest of the region, and one KTP named as outstanding by the Technology Strategy Board
- an evaluation by consultants of enterprise in the region which commended the University's support infrastructure.

The University will need to focus on maintaining and growing its position over the coming year. Particular challenges will include:

- further developing the Institute of Digital Innovation as a key player in promoting the digital agenda, and in consolidating its work with Schools
- preparing for exit from HEIF4 funding, and developing a forward strategy in the light of expected public expenditure cuts
- continuing to grow financial sustainability for the University's business units in a difficult economic climate
- managing the range of ERDF initiatives to maximise value-added for business and for the University
- enhancing communications and staff development to increase levels of engagement in the agenda.

## Research

The results of the 2008 Research Assessment Exercise (RAE) were pleasing and confirmed that across the University excellent research is taking place. Some of this is defined as 'world leading' with one third deemed to be 'internationally excellent'. Overall, 70% of all the work entered was deemed to be of international quality or higher. The University improved its ranking by grade point average of quality from 108th out of 135 submissions in the 2001 RAE to 95th out of 132 submissions in the 2008 RAE. This improvement will result in an additional £800,000 of HEFCE research grant in 2009-10.

In the current year the income from research grants and contracts increased by £2.6m compared to the prior year. In part this increase is due to the timing of income and expenditure on certain EU grants but it also reflects the University's increasing activity in this area.

The University has recently launched five research Institutes to provide a clearer focus to the University's research development and to provide a platform upon which to build upon the University's growing reputation for research excellence in a number of key areas. The five Institutes are:

- Digital Futures Institute
- Health and Social Care Institute
- Institute of Design, Culture and the Arts
- Social Futures Institute
- Technology Futures Institute.

## Financial Highlights

Summary	2008-09 £000	2007-08 £000	Change %
Income	134,797	120,040	12
Expenditure	123,402	112,440	10
Surplus	11,390	7,600	50

The growth in income relates to:

	2008-09 £000	2007-08 £000	Change %
Funding council grants	65,781	62,496	5
Tuition fees and education contracts	49,562	40,734	22
Research grants and contracts	4,318	1,677	257

Items of note relating to income were as follows:

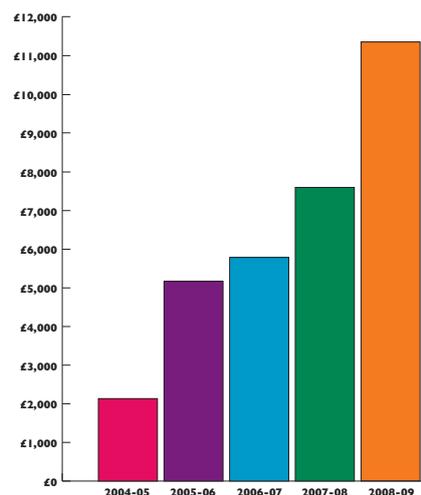
- specific grants received from HEFCE increased by £1.9m, most notably the SDF grant which increased by £1.2m. Mainstream teaching grant increased by £1.4m
- fees from full-time home and EU students increased by £3.2m reflecting the third year of variable tuition fees
- fees from international students increased by £4.2m reflecting the increase in student numbers
- income from the NHS teaching contracts increased by £1.2m
- the University paid out £6.1m (2008 – £5.0m) to students by way of scholarships and bursaries.

The Resources Committee receives regular reports from the Director of Finance

providing information on the expected out-turn compared to the budget.

Over the last five years the University has reported a year-on-year increase in its surplus as shown in the graph below. The improvement reflects year-on-year increases in income related to student growth.

Annual operating surplus (£000)



The University's financial strategy was reviewed during the year and the revised financial key performance indicators are:

- minimum annual operating surplus of £5m (from £1.5m) and
- minimum cash balances, including term deposits, of £20m (from £10m)

The revision will provide cash for the University to fund its building programme without resorting to borrowings and provide stability in the current economic climate. At 31 July 2009 total borrowings (excluding finance leases) were £8.7m and cash at bank and in hand, including money market investments, was £55.8m.

The University is committed to maintaining the strength of its balance sheet by increasing its capital asset base without incurring new long-term liabilities. During the year the University spent £8.4m on additions to fixed assets. The majority of this expenditure related to the commencement of construction of Centuria South, a £17m showpiece dental education and practice facility and sports therapy complex which is due to open in 2010. The pension fund deficit on the local government scheme increased from £17.5m to £28.2m.

The University manages its surplus cash through a treasury management policy which sets out investment limits and minimum

ratings requirements for deposit-takers. In view of the current economic climate this policy has been under regular review during the year to ensure that the University minimises the exposure to risk of its funds, for example the Resources Committee sanctioned investments of up to £20m in UK government treasury bills which offer security over yield.

## Resources

### People

Teesside University recognises that staff represent a very valuable resource and asset to the University and it continues to demonstrate its commitment to all staff by maintaining recognition as an Investor in People (IiP). In December 2008 the University was reviewed against the IiP Profile Framework, which covers a broader range of people and organisational issues than the previous review. Overall a level 2 – 'Bronze' outcome was achieved (above the level required to meet the standard), with a level 3 outcome against the indicator which focuses on people being encouraged to take ownership and responsibility in decision making. A number of areas were identified where the University can still develop and improve further and actions are being taken in these areas. We are the only university to have achieved this and it ranks us in the top 1% of IiP organisations within the UK to have achieved such success.

Considerable value is placed on the involvement of employees and on good communication with them. A regular official newsletter is made available to all staff and there is a University-wide briefing scheme. Staff are encouraged to participate in formal and informal consultations at University, School and departmental level, sometimes through the membership of formal committees.

The University's staff development and learning and teaching development teams provide initial and continuing development opportunities to all staff groups to enable them to effectively implement the University mission, corporate objectives and core strategies. Some key achievements in 2008-09 were:

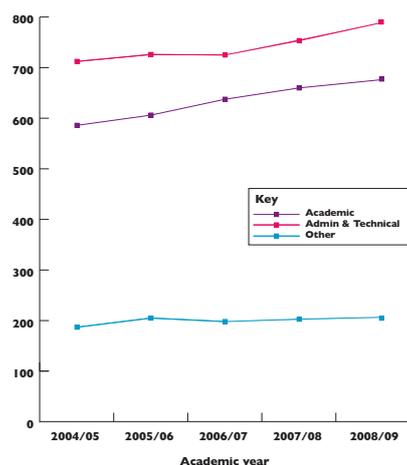
- a review of staff development support for ALL staff and the enhancement and development of activities to address the

needs arising from University strategies, for example a training needs analysis was undertaken following the outcomes of the 2008 National Student Survey and enhancements made to various programmes, including the Marketing and Recruitment Programme

- the University's 'Initial and Continuing Professional Development Framework' for Learning and Teaching staff has recently been accredited by the HEA. This recognition means that the University can independently award Fellowships and Associate Fellowships of the HEA to staff who successfully meet the relevant criteria
- the continued development and enhancement of a range of leadership and management programmes. During 2008-09 the focus was on Programme and Subject Group Leaders and 21 staff completed the programme.

The University's growth and development of its activities has been matched by an increase in academic, research and support staff and, over the last year, the University has continued to embed a revised pay and rewards structure (incorporating a job evaluation framework) aimed at facilitating the recruitment and retention of high-quality staff.

#### Staffing FTE per annum (breakdown)



The University is committed to equal opportunities for both staff and students ensuring that individuals are treated fairly, with respect at all times and are given equality of opportunity in all activities. A range of training initiatives, policies and procedures demonstrate the University's commitment to promote best practice in ensuring equality and diversity issues are addressed.

The University's policy of equal opportunities for all includes ensuring that all applicants, including those with disabilities, receive full and fair consideration for job vacancies for which they are suitable and that staff and students who are disabled or become disabled are provided with reasonable adjustments and other practical, technical and personal support needed.

#### Physical Resources

In the last five years the University has spent over £35m on new buildings and building improvements. This includes two new state-of-the-art buildings, the Athena and the Phoenix which opened in September 2008. The Athena Building provides teaching facilities in support of the University's work in digital technology, media production and creative arts. The Phoenix Building was developed with the Regional Development Agency to provide exciting opportunities for research and enterprise activities in digital innovation.

Substantial amounts have also been invested in IT equipment and resources with funds being provided both by the University and HEFCE through the learning and teaching capital allocations.

## Key Performance Indicators

In 2005, the Board established a suite of Key Performance Indicators (KPIs) in order to monitor the University's progress, with a view to improving the University's position in the leading university league tables.

KPIs which are associated with measures commonly used by league table compilers are measures relating to:

- student entry qualifications
- student progression
- degree classifications
- graduate destinations
- National Student Survey scores.

Other KPIs cover student recruitment, income from research and enterprise activities, academic staff qualifications and the balance of the workforce.

In general, the University has made good progress:

- the total number of enrolled students has increased by approximately 35% since 2004-05, from 20,685 to almost 28,000
- the percentage of students gaining first or upper second-class degrees has increased from 44.6% in 2004-05 to 52.4% in 2007-08
- National Student Survey scores have improved, with the overall satisfaction score from first degree students increasing from 79% in 2006 to 84% in 2009, with increases in almost all sections of the Survey over the same period.

The exception to this pattern has been graduate prospects, which have been adversely affected by the recession. In July 2009, when the sector Employment Performance Indicators for full-time first degree leavers in 2007-08 were published by HESA, it became apparent that the University had dropped into the bottom ten English universities in respect of the percentage of leavers entering employment or further study. A feature of the University's student population over many years has been the high proportion of full-time students from within the North East, many of whom seek employment within the region on graduation. This is believed to be the main reason that our percentage of graduates entering employment or further study has been below the sector average in every year but one, since these performance indicators began to be published in 1999-2000. The onset of the recession, in which the 2007-08 graduate cohort was the first, appears to have affected Teesside graduates to a greater extent than those of many other universities.

The University's response to this situation is discussed in the section on Principal Risks and Uncertainties, below.

Improved performance in relation to most of the KPIs has contributed to the improvement in the University's ranking in almost all of the leading league tables. Changes in the structure of some league tables, such as the substitution of National Student Survey scores for indicators based on the outcomes of Teaching Quality Assessments by the Quality Assurance Agency, have also proved beneficial.

	2009 Ranking	Change 2004-08	Change 2008-09
<i>Guardian</i>	69=	+ 41	+ 12
<i>Independent</i>	92	n/a	+ 10
<i>Times</i>	81=	+ 15	+ 7
<i>Sunday Times</i>	76=	+ 20	- 6

The drop in the most recent *Sunday Times* tables was mainly due to this being the first table to include the 2007-08 data for graduate destinations, referred to above, whereas the other tables, published earlier in the year, used the more favourable 2006-07 results.

Other performance indicators are used by the Board's Resources Committee (key financial indicators, student profile and market share, and student continuation and completion) and by the Employment Policy Committee (trends in staffing levels and composition, absences, turnover, recruitment processes and staff qualifications) to assist them in their roles.

## Principal Risks and Uncertainties

Significant risks to the University over the following 12-18 months are regularly assessed, using a risk register. The University has mitigating actions in place to reduce the impact and likelihood of risks, and holds sufficient contingency funds to enable it to respond promptly to unforeseen events, should they arise.

The University continues to embed risk management practices within its culture, allowing it to respond to new threats and opportunities, and to the potential impact of a small number of significant financial risks.

The Board of Governors has identified the following key institutional risks:

### Inability to meet HEFCE contract targets, resulting in loss of income, arising from student recruitment problems.

This risk has been divided into three distinct segments.

- The first relates to the recruitment of full-time UK-based students, due to the University's reliance on North-East England as its main source of students, and the forecast demographic downturn. This risk has been addressed through a

new corporate recruitment strategy, initially under the direction of a Director of UK Student Recruitment. The new Department of Marketing & Student Recruitment, established during 2008-09, has a leading role in this area. Already in place are improved processes for tracking and managing applications from initial enquiry through to enrolment, improved monitoring of competitor activity, and the appointment of marketing account managers in each School.

- The recruitment of part-time students is of particular importance, as they form the majority of the University's students, and account for some 40% of the University's HEFCE teaching funding. The improvements which have been made to the part-time recruitment processes are similar to those for full-time students, but with some additional elements, such as the introduction of a formal application process.
- Workforce development (WFD) programmes, in partnership with employers, require a different approach. The emphasis is upon building relationships with employers and developing programmes which meet a business need. The funding which the University has obtained from HEFCE's Strategic Development Fund has supported the development of the infrastructure needed to expand WFD activity from start up in 2008-09 to delivering around 1,000 full-time equivalents in 2010-11. Total recruitment in 2008-09, at over 2,000 individual students, exceeded expectations, in spite of the recession. However, delays in the development of some programmes meant that the number completing their year of study before 31 July (the trigger for eligibility for HEFCE funding in that year) was less than half the planned total. The remaining students will be eligible for funding in 2009-10, subject to completion, and the prospects of achieving the target for 2010-11 are believed to be good.

The rebranding of the University, undertaken during 2008-09, is expected to have a positive impact upon each of these areas.

### Change in government or HEFCE policy, resulting in reduction in income from public sources.

The University derives more than half of its income from funding council grants, and so is potentially vulnerable to policy changes. The financial strategy addresses this by seeking to diversify funding sources and to deliver consistently high annual operating surpluses and cash balances to mitigate against any significant reductions in HEFCE grant. The University's officers also maintain close relationships with their HEFCE counterparts, monitoring policy statements and responding to them, directly or through sector representative bodies, whenever appropriate.

Reductions in funding council grants have been announced for 2009-10 and 2010-11. The reduction in 2009-10, amounting to £834,000, is equivalent to 1.4% of teaching grants. The position for 2010-11 is less clear, as the reduction may be applied in ways which do not affect all institutions equally.

The University is preparing for the possibility of more severe reductions in public funding in subsequent years. Such reductions may apply not only to funding from HEFCE, but also to funding from other public sector partners. The University has established review groups to examine various aspects of University operations, including staffing costs, management of information technology, travel arrangements, building and energy use, and the development of distance and e-learning.

### Significant change in external economic conditions.

This risk was added to the risk register in the aftermath of the economic downturn of September-October 2008. The government's response to these developments means that this risk is expected to be closely related to the previous risk over the medium term, although the University must also be prepared for other developments which are not caused by government policy.

The responses to this risk include those described above, including the University's financial strategy and the review of University operations. They also include: the regular review of the University's Treasury Management Policy; forward ordering of currencies to mitigate exchange rate losses in connection with the use of overseas recruitment offices; ensuring that due diligence checks are carried out on companies to which the University intends to award contracts, and

on prospective international partners; and improvements in debt recovery procedures.

### Poor graduate employment record, relative to other institutions.

Graduate employability is an important issue for the University, featuring in the leading university league tables. Key measures, such as the percentage of graduates entering 'graduate jobs', tend to reflect the economic performance of the North East relative to other parts of the country, especially as some two thirds of full-time undergraduates come from the region, and around one third are mature students.

This risk was first included in the risk register in May 2008. It was identified as one of the University's major risks for the year 2008-09, and continues to be so in 2009-10. The report which was considered and approved by the Board in July 2009 showed that the likelihood score assigned to this risk had been increased from 3 to 4 (out of a maximum of 5), and that the impact score remained high, mainly in relation to the University's reputation. Measures to be taken during 2009-10, to improve the employability of Teesside graduates, include:

- the EmployabilityTees programme: this seeks to draw together and extend a range of current initiatives, such as volunteering programmes, mentoring schemes, graduate placement activities and careers workshops and information sessions, into a coherent and co-ordinated programme. This will allow much clearer marketing of these opportunities for skills development to students, and also allow the establishment of clear progression routes through the different aspects
- a new set of clearly defined strategies to enhance employability. These are the result of an audit of the work of the Careers Service with Schools and programmes. This is being mapped, together with data from the DLHE survey, in order to identify where collaborative work needs to be strengthened
- enhancement of the Learning, Teaching and Assessment Strategy: a new working group has been created to lead developments in key skills and employability. This will report to Learning and Teaching Committee.

The University's Academic Strategy and Business Engagement Strategy include targets for improving the employability of Teesside graduates over the period to 2012.

## Environmental Issues

During the last 12 months the University has conducted a thorough review of its environmental impact, acting upon advice from the Carbon Trust, with a view to improving environmental performance.

As a result of this review a number of actions have already been taken including:

- implementation of an energy policy and carbon management plan
- a complete review of energy procurement to mitigate risk in the volatile energy market incorporating a risk-managed contract for approximately 80% of the electricity supply to the campus
- appointment of a part-time Travel Co-ordinator
- introduction of a travel policy which includes the introduction of secure cycle stores, a cycle-to-work scheme, reduced car parking charges for car-sharing and a park and ride scheme
- addition of enhanced monitoring and targeting software and local energy meters to improve the reporting mechanism for monitoring energy consumption on an individual building basis
- implemented efficiency measures arising from a review of building utilisation outside of normal campus hours
- introduction of water conservation measures
- phased installation of automatic lighting controls within general purpose teaching areas and refurbishment projects
- introduction of a central waste processing area incorporating a waste compactor and several satellite waste stations to encourage streaming of waste and recycling
- creation of 'green spaces' and the introduction of bat and bird boxes to encourage birds to nest in various locations around campus.

A number of additional initiatives are now under development including:

- to continue to work with the Carbon Trust to reduce the carbon footprint of the campus
- appointment of a part-time Environmental Co-ordinator
- adoption of the EcoCampus Scheme, an HE Environmental Management System
- a review of the long-term maintenance plan, incorporating an energy survey to develop a programme of work to maximise the reduction in carbon emissions
- continued implementation of waste management plans including additional satellite stations to deal with recycling facilities
- continuation of the energy conservation awareness programme to raise awareness and promote best practice
- potential application of concessionary fares with local public transport operators
- the University aims to reduce the environmental impact created by the construction of its new buildings by requesting a BREEAM rating of Excellent with a minimum rating of Very Good, incorporating waste streaming facilities and cycle storage provision.

Energy usage is monitored on a building-by-building basis and the outcomes of the energy management statistics (EMS) data are benchmarked against other HEIs. The notional energy emissions (kg CO<sub>2</sub>) per student (full-time equivalent) across non-residential space recorded in the EMS are in the median quartile of the HE sector as a result of prudent programming of the energy management system.

2004-05	2005-06	2006-07*	2007-08
585.71	571.60	491.53*	780

\*2006-07 incorporated the reduction in energy emissions, attributable to the installation of electrical equipment to reduce energy consumption and the erroneous omission of certain gas consumption figures. The increase in 2007-08 is due to consumption from the addition of two new buildings with highly advanced technology facilities.

The total water consumption m<sup>3</sup> against the total gross internal floor area, recorded in the EMS are also in the lower quartile of the HE sector, although it is disappointing to see an increase.

2004-05	2005-06	2006-07*	2007-08
0.81	0.42	0.45	0.56

## Trends and Factors Affecting Future Performance

The main trends and factors that are likely to affect the University's future development, performance and position include:

### Academic Profile

- Impact of our status as University of the Year
- Changing demands of key industry sectors
- Success of bids made to HEFCE to fund additional student numbers
- Delivery of workforce development strategy
- Review of academic portfolio
- Future demographic trends in the Tees Valley region – declining student rolls at local schools reducing the pool of local undergraduates
- Further development of and investment in international markets
- Investment in HE centres linked to partner FE colleges
- Recruitment of students to Teesside University in Darlington
- Outcome of 2010 Institutional Audit
- Embedding of the Research Institutes.

### External Factors

- Parliamentary elections in 2010
- Reduction in government funding of HE
- Business simplification process including the possible creation of a new Skills Agency
- Building Schools for the Future
- 14-19 Diploma and apprenticeships
- Funding of public sector pension schemes
- Effects of economic downturn on the University's ability to find secure 'havens' for its deposits
- Withdrawal of funding for Equivalent Level Qualifications continues to impact
- Government review of the variable fee regime
- Opportunities to increase fundraising through the matched scheme
- Impact of CBI report on the government's widening participation agenda.

### Corporate Activity to Maintain Financial Stability

- Dissemination, embedding and implementing the new Institutional Plan to focus on three key areas: academic, business engagement and research
- Submit bids for European and other funds which will be compatible with the University's priorities
- Supporting local authorities with the Building Schools for the Future programme
- Progressing the development of the new University building in Darlington
- Construction of new buildings including additional teaching space and administrative facilities.

## Conclusions

The University's academic activities, together with the factors likely to affect its future development, performance and position are set out in this Operating and Financial Review.

The University has considerable financial resources together with contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Board of Governors believe that the University is well placed to manage its risks successfully despite the current uncertain economic outlook. The planned surpluses will provide a platform for a stable operating environment which will enable the University to invest in new staff, as necessary, in the learning resources needed to provide an excellent student experience and complete the proposed campus developments.

The Board of Governors have a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.



Chair of Governors



Vice-Chancellor

# Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The University also has regard to the Governance Code of Practice contained in the Guide for Members of Higher Education Governing Bodies in the UK which was issued by the Committee of University Chairs in March 2009.

## Summary of the University's Structure of Corporate Governance

The University's Board of Governors is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The University's Board of Governors comprises up to 17 lay persons appointed under the University's Instrument and Articles of Government, four 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. The Board of Governors is ultimately responsible for all activities of the University. By the Instrument and Articles of Government, and under the Financial Memorandum with HEFCE, the Board of Governors is responsible for the ongoing strategic direction of the University, approval of major developments, and the receipt of regular reports from the Vice-Chancellor and the Board's committees on the operations of its business and its subsidiary companies. The Board of Governors meets approximately six times a year, and has several committees, including a Resources Committee, a Nomination Committee, a Remuneration Committee, an Audit Committee and an Employment Policy Committee. All of these Committees are formally constituted with terms of reference and comprise mainly lay members of the Board of Governors.

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

The Employment Policy Committee determines the framework within which senior executives will manage the University's employees.

The Nomination Committee considers nominations for vacancies on the Board.

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

The Audit Committee meets three times a year and 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 members of this Committee also receive and consider reports from HEFCE as they affect the University's business and monitor adherence with the regulatory requirements. They review the University's annual financial statements together with the accounting policies. While senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee and, from time to time, the Committee meets with the external auditors on their own for independent discussions.

## Responsibilities of the Board of Governors

In accordance with the University's Instrument and Articles of Government, the Board of Governors is ultimately responsible for the administration and management of the affairs of the University, including ensuring an effective system of financial control, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University, and for enabling it to ensure that the financial statements are prepared in accordance with the University's Instrument and Articles of Government, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the Board of Governors of the University, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the University will continue in operation. The Board of Governors is satisfied that the

University has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and any other conditions which HEFCE may from time to time prescribe
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and prevent and detect fraud and
- secure 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:

- clear definitions of the responsibilities of, and the authority delegated to, senior management and heads of academic 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 Audit Committee and the Board of Governors, and
- a professional internal audit team whose annual programme is approved by the Audit Committee.

Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

## Statement of 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 Financial Memorandum with HEFCE.

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

The 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 has been in place for the year ended 31 July 2009 and up to the date of approval of the financial statements and accords with HEFCE guidance.

The Board of Governors, through the Audit Committee, has overall responsibility for reviewing the University's risk management strategy and ensuring that there is a sound approach to ensuring that this strategy is adopted and embedded consistently and effectively across each activity within the University.

The following key processes form part of the University's strategy to manage risk:

- 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 assessment framework is in place which forms the basis of risk assessment, identification and management
- a Risk Management Committee led by the Vice-Chancellor and reporting to the Corporate Management Committee 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 on a regular basis
- a corporate risk register is in place and is reviewed at least annually
- the corporate risk register is supported by risk management statements in the development plans of each School and department, covering both corporate and operational risks
- responsibility for monitoring each key risk has been assigned to senior officers of the University with the Deputy University Secretary 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 for improvement
- 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.

# Independent Auditors' Report to the Board of Governors of Teesside University

We have audited the Financial Statements of Teesside University for the year ended 31 July 2009 which comprise the primary Financial Statements such as the consolidated income and expenditure account, the statement of total recognised gains and losses, the Group and University balance sheets, the consolidated cash flow statement and the related notes 1 to 31. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Governors of the University, as a body, in accordance with the Financial Memorandum dated June 2008. 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 auditors' 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 Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of the Board of Governors and Auditors

The Board of Governors' responsibilities for preparing the annual report and the Financial Statements in accordance with the University's statute, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the Board of Governors' responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only

for the purposes for which they were received and whether income has been applied in accordance with the statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the information given in the Board of Governors' report is not consistent with the Financial Statements, if the University has not kept adequate accounting records, the accounting records do not agree with the Financial Statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any further information outside the annual report.

## Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion:

- (a) the Financial Statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2009 and of the surplus of the Group for the year then ended
- (b) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education
- (c) in all material respects income from Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received and
- (d) in all material respects income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum, dated June 2008 with the Higher Education Funding Council for England.



Deloitte LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
Leeds

# Statement of Principal Accounting Policies

## Basis of Preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with applicable accounting standards.

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, its subsidiary undertakings and the Friends of the University of Teesside Trust for the financial year to 31 July. Intra-group transactions are eliminated on consolidation.

The consolidated Financial Statements do not include those of the Students' Union because the University does not control those activities. The expenditure which is included in the income and expenditure account of the University relates to the University's contribution to Union activities.

## Income Recognition

Funding body grants are accounted for in the period to which they relate. Tuition fee income is stated gross and credited to the income and expenditure account 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.

Recurrent income from grants, contracts and other services rendered is accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the University are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Increases or decreases in value arising on the revaluation or disposal of endowment assets, ie the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

## Agency Arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and

expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

## Leases and Hire Purchase Contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the University, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

## Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 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.

## Land and Buildings

Land and buildings are stated at valuation or cost. The basis of valuation, which was carried out by independent chartered surveyors, is a combination of depreciated replacement cost and open market value for existing use. Certain properties from which the University derives no economic benefit and which, in the opinion of the Board of Governors, have a value substantially less than their depreciated replacement cost were separately valued by the University.

On adoption of FRS 15, the University followed the transitional provision to retain the book value of land and buildings, the majority of which were revalued on 31 July 1997 by Storey Sons & Parker, Chartered Surveyors, but not to adopt a policy of revaluations of these properties in the future. These valuations are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Costs incurred in relation to a tangible fixed asset, after its initial purchase, are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other directly attributable costs incurred to 31 July.

### Depreciation

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the University of between 15 and 50 years on the amount at which the tangible fixed asset is included in the balance sheet. Where material, a depreciable asset's anticipated useful economic life is reviewed annually and the accumulated and future depreciation adjusted in accordance with FRS 15.

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

### Acquisition with the Aid of Specific Grants

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated.

The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

### Repairs and Maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

## Equipment and Furniture

Equipment and furniture costing less than £1,500 per individual item or group of related items is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. All assets are depreciated over their useful economic life as follows:

- motor vehicles – four years
- equipment and furniture – between three years and ten years.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the policy set out above, with the related grant credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

## Investments

Listed investments held as endowment assets are shown at market value. Investments in subsidiary undertakings and non-listed entities are shown at the lower of cost or net realisable value.

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

## Stock

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

## Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash. Liquid resources comprise term deposits. They exclude any such assets held as endowment asset investments.

## 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.

## Accounting for Charitable Donations

### Unrestricted Donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

### Endowment Funds

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. There are two main types:

- restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income
- 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.

## Accounting for Retirement Benefits

The University contributes to the Universities Superannuation Scheme (USS), the Local Government Superannuation Scheme (LGPS) and the Teachers' Pension Scheme (TPS). All schemes are defined benefit schemes but the USS and TPS schemes are both multi-employer schemes and it is not possible to identify the assets of the scheme which are attributable to the University. In accordance with FRS 17 these schemes are accounted for on a defined contribution basis and contributions to these schemes are included as expenditure in the period in which they are payable. The University is able to identify its share of assets and liabilities of the LGPS and thus the University fully adopts FRS 17 'Retirement benefits'.



# Consolidated Income and Expenditure Account

	Note	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
<b>Income</b>			
Funding body grants	1	65,781	62,496
Tuition fees and education contracts	2	49,562	40,734
Research grants and contracts	3	4,318	1,677
Other income	4	13,587	13,097
Endowment and investment income	5	1,549	2,036
<b>Total Income</b>		<b>134,797</b>	<b>120,040</b>
<b>Expenditure</b>			
Staff costs	6	72,543	65,661
Other operating expenses		44,511	40,694
Depreciation		5,086	4,973
Interest and other finance costs	7	1,262	1,112
<b>Total Expenditure</b>	8	<b>123,402</b>	<b>112,440</b>
Surplus on continuing operations after depreciation of assets at valuation before and after tax		11,395	7,600
Surplus for the year transferred to accumulated income in endowment funds		(5)	–
<b>Surplus for the year retained within general reserves</b>	22	<b>11,390</b>	<b>7,600</b>

The Consolidated Income and Expenditure Account of the University, its subsidiary undertakings and The Friends of the University of Teesside Trust relates to continuing operations.

## Statement of Group Historical Cost Surpluses and Deficits

	Note	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		11,395	7,600
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	706	705
<b>Historical cost surplus for the year before and after tax</b>		12,101	8,305

# Statement of Group Total Recognised Gains and Losses

	Note	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		11,395	7,600
(Depreciation) of endowment assets	13	(17)	(21)
Actuarial (loss) in respect of pension scheme	29	(9,092)	(134)
<b>Total recognised gains relating to the year</b>		2,286	7,445
<b>Reconciliation</b>			
Opening reserves and endowments		64,664	57,219
Total recognised gains for the year		2,286	7,445
Closing reserves and endowments		66,950	64,664

# Balance Sheets as at 31 July

	Note	Consolidated		University	
		2009 £000	2008 £000	2009 £000	2008 £000
<b>Fixed assets</b>					
Tangible assets	11	96,523	93,232	96,767	93,476
Investments	12	30	30	30	880
		<u>96,553</u>	<u>93,262</u>	<u>96,797</u>	<u>94,356</u>
<b>Endowment assets</b>	13	<u>179</u>	<u>191</u>	<u>179</u>	<u>191</u>
<b>Current assets</b>					
Stock		34	44	34	44
Debtors	14	7,236	8,352	8,591	9,427
Investments	15	43,178	37,000	43,178	37,000
Cash at bank and in hand		12,789	6,301	12,342	5,796
		<u>63,237</u>	<u>51,697</u>	<u>64,145</u>	<u>52,267</u>
<b>Less: creditors</b> – amounts falling due within one year	16	<u>(29,999)</u>	<u>(26,990)</u>	<u>(31,703)</u>	<u>(29,052)</u>
<b>Net current assets</b>		<u>33,238</u>	<u>24,707</u>	<u>32,442</u>	<u>23,215</u>
<b>Total assets less current liabilities</b>		<u>129,970</u>	<u>118,160</u>	<u>129,418</u>	<u>117,762</u>
<b>Less: creditors</b> – amounts falling due after more than one year	17	<u>(11,708)</u>	<u>(12,667)</u>	<u>(11,708)</u>	<u>(12,800)</u>
<b>Less: provisions for liabilities and charges</b>	19	<u>(5,398)</u>	<u>(5,386)</u>	<u>(5,398)</u>	<u>(5,386)</u>
<b>Total net assets excluding pension liability</b>		<u>112,864</u>	<u>100,107</u>	<u>112,312</u>	<u>99,576</u>
<b>Net pension liability</b>	29	<u>(28,288)</u>	<u>(17,595)</u>	<u>(28,288)</u>	<u>(17,595)</u>
<b>Total net assets including pension liability</b>		<u>84,576</u>	<u>82,512</u>	<u>84,024</u>	<u>81,981</u>

## Balance Sheets as at 31 July continued

	Note	Consolidated		University	
		2009 £000	2008 £000	2009 £000	2008 £000
<b>Deferred capital grants</b>	20	17,626	17,848	17,626	17,848
<b>Endowments</b>	21				
Permanent		136	149	136	149
Expendable		43	42	43	42
		<u>179</u>	<u>191</u>	<u>179</u>	<u>191</u>
<b>Reserves</b>					
Income and Expenditure account excluding pension reserve		74,072	60,375	73,520	59,844
Pension reserve	29	(28,288)	(17,595)	(28,288)	(17,595)
Income and Expenditure account including pension reserve	22	45,784	42,780	45,232	42,249
Revaluation reserve	23	20,987	21,693	20,987	21,693
<b>Total reserves</b>		<u>66,771</u>	<u>64,473</u>	<u>66,219</u>	<u>63,942</u>
<b>Total funds</b>		<u>84,576</u>	<u>82,512</u>	<u>84,024</u>	<u>81,981</u>

The financial statements on pages 19 to 48 were approved by the Board of Governors on 20 November 2009 and were signed on its behalf by:



Chair of Governors



Vice-Chancellor

# Consolidated Cash Flow Statement

	Note	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Net cash inflow from operating activities	24	17,714	18,481
Returns on investments and servicing of finance	25	936	730
Capital expenditure and financial investment	25	(5,209)	(6,527)
Management of liquid resources	25	(6,178)	(12,663)
Financing	25	(770)	(641)
<b>Increase/(decrease) in cash in the year</b>		<b>6,493</b>	<b>(620)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash in the year		6,493	(620)
Change in short-term deposits		6,178	12,663
Change in debt		770	641
Change in net funds		13,441	12,684
Net funds at 1 August		30,065	17,381
<b>Net funds at 31 July</b>	26	<b>43,506</b>	<b>30,065</b>

# Notes to the Financial Statements, Year ended 31 July 2009

## 1 FUNDING BODY GRANTS

	2009 £000	2008 £000
<b>Recurrent grants</b>		
Higher Education Funding Council	55,492	54,129
Training and Development Agency	75	68
<b>Specific grants</b>		
Higher Education Innovation Fund	1,333	1,397
Capital grants	1,693	1,717
Strategic Development Fund	3,527	2,288
Teaching Quality Enhancement Fund	977	727
Access and Widening Participation	692	554
Joint Information Systems Committee Fund	58	17
Pathfinder	164	193
CETL	180	146
National Teaching Fellowships	28	24
Other	39	41
<b>Deferred capital grants released in year</b>		
Buildings (note 20)	200	200
Equipment (note 20)	1,323	995
	65,781	62,496

## 2 TUITION FEES AND EDUCATION CONTRACTS

	2009 £000	2008 £000
Full-time home and EU students	18,765	15,572
Full-time international students	8,236	4,010
Part-time students	4,244	4,034
Education contracts	18,317	17,118
	49,562	40,734

**3 RESEARCH GRANTS AND CONTRACTS**

	<b>2009</b> <b>£000</b>	2008 £000
Research Councils	67	29
UK-based charities	523	174
UK central government	465	520
UK Health Service	530	300
European Commission	2,571	600
Other grants and contracts	162	54
	<hr/> 4,318 <hr/>	<hr/> 1,677 <hr/>

**4 OTHER INCOME**

	<b>2009</b> <b>£000</b>	2008 £000
Residences, catering and conferences	3,107	2,960
Other income-generating activities	1,302	1,000
Other grant income	5,378	5,411
Release from deferred capital grants (note 20)	552	446
Other income	3,248	3,280
	<hr/> 13,587 <hr/>	<hr/> 13,097 <hr/>

**5 ENDOWMENT AND INVESTMENT INCOME**

	<b>2009</b> <b>£000</b>	2008 £000
Income from permanent endowments (note 21)	8	11
Income from short-term investments	1,541	2,025
	<hr/> 1,549 <hr/>	<hr/> 2,036 <hr/>

**6 STAFF**

	<b>2009</b>	2008
	<b>£000</b>	£000
<b>Staff costs</b>		
Wages and salaries	58,928	52,768
Social security costs	4,631	4,145
Other pension costs (note 29)	8,297	7,856
Increase in the provision for enhanced pensions (note 19)	361	577
Restructuring costs	326	315
	<u>72,543</u>	<u>65,661</u>

**Emoluments of the Vice-Chancellor**

	£	£
Salary	224,859	190,657
Benefits in kind	12,726	11,851
	<u>237,585</u>	<u>202,508</u>

Pension costs (on the same basis as for other academic staff)	29,590	26,883
	<u>267,175</u>	<u>229,391</u>

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

	<b>2009</b>	2008
	<b>number</b>	number
£100,000 - £109,999	2	3
£110,000 - £119,999	1	2
£120,000 - £129,999	2	-
	<u>5</u>	<u>5</u>

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

Academic	683	660
Administrative and technical	796	753
Other	204	203
	<u>1,683</u>	<u>1,616</u>

**7 INTEREST AND OTHER FINANCE COSTS**

	<b>2009</b>	2008
	<b>£000</b>	£000
Bank loans not wholly repayable within five years	233	559
Finance leases	444	459
Pension finance cost	585	94
	<u>1,262</u>	<u>1,112</u>

**8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY**

	<b>2009</b>	2008
	<b>£000</b>	£000
Academic departments	64,551	59,312
Academic services	10,590	10,136
Research grants and contracts	3,961	1,527
Residences, catering and conferences	2,912	3,084
Premises	11,842	11,048
Administration	22,092	18,577
Other	7,454	8,756
	<u>123,402</u>	<u>112,440</u>

**Other operating expenses include**

External auditors' remuneration in respect of audit services	34	36
External auditors' remuneration in respect of non-audit services	-	1
Operating lease rentals		
Land and buildings	537	591
Equipment	77	134
	<u>        </u>	<u>        </u>

**9 SURPLUS ATTRIBUTABLE TO PARENT UNDERTAKING**

The surplus dealt with in the accounts of the parent undertaking was £11,369,000 (2008: £7,725,000).

**10 INTANGIBLE FIXED ASSETS – GOODWILL**

	<b>Consolidated and University £000</b>
<b>Cost</b>	
At 31 July 2009 and 31 July 2008	270
	<u>        </u>
<b>Amortisation</b>	
At 31 July 2009 and 31 July 2008	270
	<u>        </u>
<b>Net Book Value</b>	
At 31 July 2009 and 31 July 2008	-
	<u>        </u>

**11 TANGIBLE FIXED ASSETS**

	<b>Freehold land and buildings</b>	<b>Assets in the course of construction</b>	<b>Vehicles</b>	<b>Equipment and furniture</b>	<b>Total</b>
<b>Consolidated Cost/Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August 2008	112,871	287	122	18,613	131,893
Additions in year	715	5,653	4	2,005	8,377
Transfers in year	219	(219)	-	-	-
Written off in year	-	-	-	(941)	(941)
<b>At 31 July 2009</b>	<b>113,805</b>	<b>5,721</b>	<b>126</b>	<b>19,677</b>	<b>139,329</b>
<b>Depreciation</b>					
At 1 August 2008	22,596	-	83	15,982	38,661
Charge for year	2,873	-	22	2,191	5,086
Written off in year	-	-	-	(941)	(941)
<b>At 31 July 2009</b>	<b>25,469</b>	<b>-</b>	<b>105</b>	<b>17,232</b>	<b>42,806</b>
<b>Net Book Value At 31 July 2009</b>	<b>88,336</b>	<b>5,721</b>	<b>21</b>	<b>2,445</b>	<b>96,523</b>
At 31 July 2008	90,275	287	39	2,631	93,232

**11 TANGIBLE FIXED ASSETS continued**

	<b>Freehold land and buildings</b>	<b>Assets in the course of construction</b>	<b>Vehicles</b>	<b>Equipment and furniture</b>	<b>Total</b>
<b>University</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost/Valuation</b>					
At 1 August 2008	113,234	287	122	17,259	130,902
Additions in year	715	5,653	4	2,005	8,377
Transfers in year	219	(219)	-	-	-
Written off in year	-	-	-	(941)	(941)
<b>At 31 July 2009</b>	<b>114,168</b>	<b>5,721</b>	<b>126</b>	<b>18,323</b>	<b>138,338</b>
<b>Depreciation</b>					
At 1 August 2008	22,596	-	83	14,747	37,426
Charge for year	2,873	-	22	2,191	5,086
Written off in year	-	-	-	(941)	(941)
<b>At 31 July 2009</b>	<b>25,469</b>	<b>-</b>	<b>105</b>	<b>15,997</b>	<b>41,571</b>
<b>Net Book Value</b>					
<b>At 31 July 2009</b>	<b>88,699</b>	<b>5,721</b>	<b>21</b>	<b>2,326</b>	<b>96,767</b>
At 31 July 2008	90,638	287	39	2,512	93,476

Financial Reporting Standard 15 'Tangible Fixed Assets': the transitional rules set out in FRS 15 have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

**11 TANGIBLE FIXED ASSETS continued**

At 31 July 2009 the net book value of freehold land and buildings, for the group and the University, includes £1,294,000 (2008: £1,468,000) in respect of assets held under finance leases. The depreciation charge for the year on these assets was £174,000 (2008: £174,000).

**Analysis of cost or valuation**

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
	£000	£000	£000	£000	£000
<b>Consolidated</b>					
1997 Professional Valuation	48,167	–	–	–	48,167
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	62,994	5,721	126	19,677	88,518
<b>At 31 July 2009</b>	<b>113,805</b>	<b>5,721</b>	<b>126</b>	<b>19,677</b>	<b>139,329</b>
<b>University</b>					
1997 Professional Valuation	48,167	–	–	–	48,167
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	63,357	5,721	126	18,323	87,527
<b>At 31 July 2009</b>	<b>114,168</b>	<b>5,721</b>	<b>126</b>	<b>18,323</b>	<b>138,338</b>

**Asset revaluations**

The majority of land and buildings held at 31 July 1997 were revalued at that date by Storey Sons & Parker, Chartered Surveyors. The basis of valuation was a combination of depreciated replacement cost and open market value for existing use and the valuation has not been updated. Certain properties, which in the opinion of the Governors have had a permanent diminution in value due to a significant reduction in use by the University and which in their opinion have a value substantially less than their depreciated replacement cost, were separately valued by the University.

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

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
Cost	88,463	87,529	88,767	87,833
Accumulated depreciation and impairment	(21,109)	(18,942)	(21,109)	(18,942)
<b>Net book value</b>	<b>67,354</b>	<b>68,587</b>	<b>67,658</b>	<b>68,891</b>

**12 FIXED ASSET INVESTMENTS**

	<b>Other Investments £000</b>		
<b>Consolidated</b>			
Cost			
At 31 July 2009 and 31 July 2008	30		
	-----		
	<b>Other Investments £000</b>	<b>Subsidiary Undertakings £000</b>	<b>Total £000</b>
<b>University</b>			
Cost			
At 31 July 2008	30	850	880
Written off in year	-	(850)	(850)
	-----	-----	-----
<b>At 31 July 2009</b>	<b>30</b>	<b>-</b>	<b>30</b>
	-----	-----	-----

The University's subsidiary undertakings (all of which are registered in England and Wales) and its percentage shareholding in each are as follows:

<b>Subsidiary Undertaking</b>	<b>Nature of Business</b>	<b>Shareholding</b>
University of Teesside Enterprises Limited	Commercial activities, enterprise, trading and liaison with industry and commerce.	Limited by guarantee
Teesnap Limited	To provide and promote educational and training services relating to nursing, midwifery and associated professions and/or professions allied to medicine and to provide management services related to the aforementioned.	100% Ordinary Shares
Roundbeat Limited	Dormant.	100% Ordinary Shares

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.

**13 ENDOWMENT ASSETS**

	<b>Consolidated and University £000</b>	
At 1 August 2008	191	
Decrease in market value of investments	(17)	
Increase in cash balances held for endowment funds	5	
	<hr/>	
<b>At 31 July 2009</b>	<b>179</b>	
	<hr/>	
	<b>Valuation at 31 July 2009 £000</b>	<b>Valuation at 31 July 2008 £000</b>
Fixed interest stocks	13	12
Equities	88	106
Bank balances	78	73
	<hr/>	<hr/>
<b>Total endowment asset investments</b>	<b>179</b>	<b>191</b>
	<hr/>	<hr/>
<b>Fixed interest stocks and equities at cost</b>	<b>135</b>	<b>147</b>
	<hr/>	<hr/>

**14 DEBTORS**

	<b>Consolidated</b>		<b>University</b>	
	<b>2009 £000</b>	<b>2008 £000</b>	<b>2009 £000</b>	<b>2008 £000</b>
Debtors	3,710	3,962	3,545	3,294
Prepayments and accrued income	3,523	4,360	3,492	4,320
Amounts due from subsidiary undertakings	–	–	1,554	1,813
Other debtors	3	30	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>7,236</b>	<b>8,352</b>	<b>8,591</b>	<b>9,427</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Included within amounts due from subsidiary undertakings is £nil (2008: £130,000) which is due after more than one year.

**15 INVESTMENTS**

	<b>Consolidated and University</b>	<b>Consolidated and University</b>
	<b>2009</b>	2008
	<b>£000</b>	£000
UK Government Treasury Bills	20,178	–
Deposits maturing in one year or less	23,000	37,000
	<u>43,178</u>	<u>37,000</u>

Deposits are held with banks operating in the London market and licensed by the Financial Services Authority with more than 24 hours maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

At 31 July 2009 the weighted average interest rate of these fixed rate deposits was 1.31% and the remaining weighted average period for which the interest rate is fixed on these deposits was 25 days. The fair value of these deposits was not materially different from the book value.

**16 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Consolidated</b>		<b>University</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>£000</b>	£000	<b>£000</b>	£000
Mortgages and unsecured loans	642	642	642	642
Obligations under finance leases	189	–	189	–
Payments received on account	13,962	9,961	10,466	6,300
Creditors	5,255	5,844	5,252	5,844
Social security and other taxation payable	1,782	1,757	1,782	1,757
Accruals and deferred income	8,169	8,786	8,122	8,750
Amounts due to subsidiary undertakings	–	–	5,250	5,759
	<u>29,999</u>	<u>26,990</u>	<u>31,703</u>	<u>29,052</u>

**17 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Consolidated</b>		<b>University</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>£000</b>	£000	<b>£000</b>	£000
Loans secured on residential and other property repayable by 2022	8,025	8,667	8,025	8,667
Obligations under finance leases (note 18)	3,683	4,000	3,683	4,000
Amounts due to subsidiary undertakings	–	–	–	133
	<u>11,708</u>	<u>12,667</u>	<u>11,708</u>	<u>12,800</u>

**18 BORROWINGS****a Bank loans and overdrafts**

	<b>Consolidated and University 2009 £000</b>	<b>Consolidated and University 2008 £000</b>
<b>Bank loans and overdrafts are repayable as follows:</b>		
In one year or less	642	642
Between one and two years	642	642
Between two and five years	1,926	1,926
In five years or more	5,457	6,098
	<u>8,667</u>	<u>9,308</u>

Bank loans include mortgages at 0.25% above Bank of England Base Rate and 0.3% above LIBOR, repayable by instalments and secured on freehold properties of the University.

**b Finance leases**

	<b>Consolidated and University 2009 £000</b>	<b>Consolidated and University 2008 £000</b>
<b>The net finance lease obligations to which the University is committed are:</b>		
In five years or more	3,872	4,000
	<u>3,872</u>	<u>4,000</u>

The finance leases relate to academic and student accommodation.

**19 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Consolidated and University £000</b>
At 1 August 2008	5,386
Utilised in year	(349)
Transfer from Income and Expenditure Account	361
<b>At 31 July 2009</b>	<u>5,398</u>

The provision is in respect of pension enhancements payable to staff who have taken early retirement. The assumptions for calculating this provision are as follows:

	<b>31 July 2009</b>	<b>31 July 2008</b>
Discount rate	4.9%	5.9%
Inflation	2.9%	3.9%

**20 DEFERRED CAPITAL GRANTS**

<b>Consolidated and University</b>	<b>HEFCE £000</b>	<b>Other Grants £000</b>	<b>Total £000</b>
At 1 August 2008			
Buildings	5,894	10,453	16,347
Equipment	1,272	229	1,501
<b>Total</b>	<b>7,166</b>	<b>10,682</b>	<b>17,848</b>
Cash received and receivable			
Buildings	–	125	125
Equipment	1,692	36	1,728
<b>Total</b>	<b>1,692</b>	<b>161</b>	<b>1,853</b>
Released to Income and Expenditure Account			
Buildings (notes 1 and 4)	200	410	610
Equipment (notes 1 and 4)	1,323	142	1,465
<b>Total</b>	<b>1,523</b>	<b>552</b>	<b>2,075</b>
At 31 July 2009			
Buildings	5,694	10,168	15,862
Equipment	1,641	123	1,764
<b>Total</b>	<b>7,335</b>	<b>10,291</b>	<b>17,626</b>

**21 ENDOWMENTS**

<b>Consolidated and University</b>	<b>Restricted Permanent £000</b>	<b>Restricted Expendable £000</b>	<b>2009 Total £000</b>	<b>2008 Total £000</b>
At 1 August 2008				
Capital	46	39	85	111
Accumulated income	103	3	106	101
	<u>149</u>	<u>42</u>	<u>191</u>	<u>212</u>
Investment income	7	1	8	11
Expenditure	(3)	-	(3)	(11)
	<u>4</u>	<u>1</u>	<u>5</u>	<u>-</u>
(Decrease) in market value of investments	(17)	-	(17)	(21)
<b>At 31 July 2009</b>	<b><u>136</u></b>	<b><u>43</u></b>	<b><u>179</u></b>	<b><u>191</u></b>
Represented by				
Capital	35	39	74	85
Accumulated income	101	4	105	106
	<u>136</u>	<u>43</u>	<u>179</u>	<u>191</u>

**22 INCOME AND EXPENDITURE ACCOUNT**

	<b>Consolidated £000</b>	<b>University £000</b>
At 1 August 2008	42,780	42,249
Surplus retained for the year	11,390	11,369
Transfer from revaluation reserve	706	706
Actuarial loss in respect of pension scheme	(9,092)	(9,092)
	<hr/>	<hr/>
<b>At 31 July 2009</b>	<b>45,784</b>	<b>45,232</b>

**23 REVALUATION RESERVE**

	<b>Consolidated and University £000</b>
At 1 August 2008	21,693
Transfer to Income and Expenditure Account	(706)
	<hr/>
<b>At 31 July 2009</b>	<b>20,987</b>

The transfer to the Income and Expenditure Account is in respect of the excess depreciation as a result of the revaluation of freehold land and buildings.

**24 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2009</b>	2008
	<b>£000</b>	£000
Surplus after depreciation of assets at valuation and before tax	11,395	7,600
Depreciation	5,086	4,973
Deferred capital grants released to income	(2,075)	(1,641)
Investment income	(1,549)	(2,036)
Interest payable	677	1,018
Pensions cost less contributions payable	1,601	1,358
Decrease/(increase) in stocks	10	(3)
Decrease/(increase) in debtors	611	(222)
Increase in creditors	1,946	7,193
Increase/(decrease) in provisions	12	241
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>17,714</b>	<b>18,481</b>
	<hr/>	<hr/>

**25 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	<b>2009</b>	2008
	<b>£000</b>	£000
<b>Returns on investments and servicing of finance</b>		
Income from endowments	8	11
Interest received	1,688	1,866
Interest element of finance lease rental payments	(466)	(574)
Other interest paid	(294)	(573)
	<hr/>	<hr/>
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>936</b>	<b>730</b>
	<hr/>	<hr/>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(7,359)	(9,025)
Endowment funds invested	(13)	(33)
Sale of endowment asset investments	13	41
Deferred capital grants received	2,150	2,490
	<hr/>	<hr/>
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(5,209)</b>	<b>(6,527)</b>
	<hr/>	<hr/>
<b>Management of liquid resources</b>		
Net movement in short-term deposits	(6,178)	(12,663)
	<hr/>	<hr/>
<b>Financing</b>		
Repayment of bank loan	(642)	(641)
Repayment of finance lease	(128)	-
	<hr/>	<hr/>
	<b>(770)</b>	<b>(641)</b>
	<hr/>	<hr/>

**26 ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 August 2008 £000	Cash Flows £000	Other Non-cash Changes £000	At 31 July 2009 £000
<b>Cash at bank and in hand</b>				
Endowment assets	73	5	-	78
Other	6,301	6,488	-	12,789
	<u>6,374</u>	<u>6,493</u>	<u>-</u>	<u>12,867</u>
Short-term deposits	37,000	6,178	-	43,178
Debt due within 1 year	(642)	642	(642)	(642)
Debt due after 1 year	(8,667)	-	642	(8,025)
Finance leases	(4,000)	128	-	(3,872)
	<u>30,065</u>	<u>13,441</u>	<u>-</u>	<u>43,506</u>

**27 LEASE OBLIGATIONS**

	<b>Consolidated and University 2009 £000</b>	Consolidated and University 2008 £000
At 31 July the annual commitments under operating leases were as follows:		
<b>Buildings</b>		
Expiring within one year	583	530
<b>Equipment</b>		
Expiring within one year	-	-
Expiring between two and five years	42	42
	<u>625</u>	<u>572</u>

**28 FUTURE CAPITAL COMMITMENTS**

	<b>Consolidated and University 2009 £000</b>	Consolidated and University 2008 £000
Commitments contracted at 31 July	9,691	838
	<u>9,691</u>	<u>838</u>

## 29 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, established locally as the Teesside Pension Fund (TPF). Two members of staff are members of the Universities Superannuation Scheme.

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

	<b>Year ended 31 July 2009</b>	Year ended 31 July 2008
	<b>£000</b>	£000
TPS: contributions paid	4,075	3,651
TPF: charge to the Income and Expenditure account	4,186	4,174
Contributions paid to other pension schemes	36	31
<b>Total Pension Cost</b> (note 6)	<b>8,297</b>	<b>7,856</b>

The assumptions and other data relevant to the determination of the contribution levels of the schemes are as follows:

	<b>TPS</b>	<b>TPF</b>
Investment returns per annum	6.5%	4.7% - 7.1%
Salary scale increase per annum	4.5%	5.4%
Pension increase per annum	Not disclosed	3.4%
Market value of assets at date of last valuation	£163,240m	£2,025m
MFR proportion of members' accrued benefits covered by the actuarial value of the assets	98%	98%

### Teachers' Pension Scheme

TPS is actuarially valued not less than every four years by the Government Actuary. The last actuarial valuation was as at 31 March 2004. Contributions are paid by the University at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. The contribution rate payable by the employer is 14.1% of pensionable salaries.

Under the definitions set out in Financial Reporting Standard 17 'Retirement benefits' (FRS 17), the TPS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the Scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

### Teesside Pension Fund

TPF is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. The contribution payable by the employer is 14.0% of pensionable salaries.

Under the definitions set out in FRS 17, the TPF is a multi-employer defined benefit pension scheme. In the case of the TPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2009.

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the Fund are required to act in the best interests of the Fund's beneficiaries. The appointment of trustees to the Fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisers.

**29 PENSION SCHEMES continued**

The material assumptions used by the actuary for FRS 17 at 31 July were:

	<b>2009</b>	2008
	<b>%</b>	%
Price increases	3.6	3.9
Salary increases	5.6	5.9
Pension increases	3.6	3.9
Discount rate	6.0	6.4

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

The assumed life expectations on retirement at age 65 are:

	<b>2009</b>	2008
	<b>Years</b>	Years
<b>Retiring today</b>		
Males	19.51	19.51
Females	22.55	22.55
<b>Retiring in 10 years</b>		
Males	20.41	20.41
Females	23.43	22.43

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the year. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively. The return on equities and property is assumed to be a margin above gilt yields.

The University's share of the assets in the TPF and the expected rates of return are as follows:

	<b>2009</b>		<b>2008</b>	
	Share of assets	Expected return at 1 August 2008	Share of assets	Expected return at 1 August 2007
	%	%	%	%
Equities	79.0	7.6	73.3	7.9
Gilts	9.0	4.5	9.4	4.8
Other bonds	1.7	6.0	1.2	5.8
Property	3.5	7.1	4.5	7.4
Cash	6.8	3.0	11.6	5.8

**29 PENSION SCHEMES continued**

The following amounts at 31 July were measured in accordance with the requirements of FRS 17.

	<b>2009</b>	2008
	<b>£000</b>	£000
<b>Analysis of the amount shown in the balance sheet</b>		
University's estimated asset share	68,513	67,205
Present value of the University's estimated share of scheme liabilities	(96,801)	(84,800)
	<u>(28,288)</u>	<u>(17,595)</u>
<b>Analysis of the amount charged to staff costs within operating surplus</b>		
Current service cost	4,186	3,814
Past service cost	-	359
	<u>4,186</u>	<u>4,173</u>
<b>Analysis of amount that is charged to interest payable</b>		
Expected return on pension scheme assets	4,980	4,618
Interest on pension scheme liabilities	(5,565)	(4,712)
	<u>(585)</u>	<u>(94)</u>
<b>Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)</b>		
Actual return less expected return on the University's share of pension scheme assets	(7,035)	(7,568)
Experience gains and losses	-	4,011
Changes in assumptions underlying the present value of the scheme liabilities	(2,057)	3,423
	<u>(9,092)</u>	<u>(134)</u>
<b>Movement in deficit during the year</b>		
Deficit in the scheme at 1 August	(17,595)	(16,103)
Movement in year:		
Current service costs	(4,186)	(3,814)
Contributions	3,170	2,909
Past service costs	-	(359)
Other finance costs	(585)	(94)
Actuarial loss	(9,092)	(134)
	<u>(28,288)</u>	<u>(17,595)</u>
Deficit in scheme at 31 July	<u>(28,288)</u>	<u>(17,595)</u>

**29 PENSION SCHEMES continued**

	<b>2009</b>	2008
	<b>£000</b>	£000
<b>Analysis of the movement in the present value of the scheme liabilities</b>		
At 1 August	84,800	81,133
Current service cost	4,186	3,758
Interest cost	5,565	4,712
Contributions by scheme participants	1,508	1,214
Actuarial gains and losses	2,057	(5,180)
Benefits paid less individual transfers in	(1,315)	(1,196)
Past service cost	–	359
	<u>96,801</u>	<u>84,800</u>

**Analysis of movement in the market value of the scheme assets**

At 1 August	67,205	65,030
Change in asset valuation	–	(56)
Expected rate of return on scheme assets	4,980	4,618
Actuarial gains and losses	(7,035)	(5,314)
Contribution by the employer	3,170	2,909
Contributions by scheme participants	1,508	1,214
Benefits paid less individual transfers in	(1,315)	(1,196)
	<u>68,513</u>	<u>67,205</u>

Amounts for the current and previous four periods are as follows:

	<b>2009</b>	2008	2007	2006	2005
	<b>£000</b>	£000	£000	£000	£000
Defined benefit obligation	<b>(96,801)</b>	(84,800)	(81,133)	(79,014)	(69,092)
Scheme assets	<b>68,513</b>	67,205	64,974	56,211	46,822
Deficit	<u><b>(28,288)</b></u>	<u>(17,595)</u>	<u>(16,159)</u>	<u>(22,803)</u>	<u>(22,270)</u>
Experience adjustments on scheme liabilities	–	1,757	–	–	467
Experience adjustments on scheme assets	<b>(7,035)</b>	(5,314)	1,770	3,909	4,961

The University has elected not to restate amounts for 2005 as permitted by the amendment to FRS 17.

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £8,043,000 loss (2008: £1,049,000 gain).

Defined benefit scheme assets do not include any of the University's own financial instruments or any property occupied by the University.

The estimated employers' contribution to the scheme for the year ending 31 July 2010 is £3,436,000.

The actual return on scheme assets in the year was a negative return of £2,055,000 (2008: £2,950,000 – negative return).

**30 ACCESS FUNDS**

	<b>2009</b>	2008
	<b>£000</b>	£000
HEFCE grants	607	776
Interest earned	12	24
	<hr/>	<hr/>
	619	800
Disbursed to students	(598)	(602)
	<hr/>	<hr/>
<b>Balance unspent at 31 July</b>	<b>21</b>	<b>198</b>
	<hr/>	<hr/>

HEFCE grants are available solely for students. The University acts only as paying agent.

The grants and related disbursements, to the extent of total access fund income, are therefore excluded from the Income and Expenditure Account.

**31 RELATED PARTY TRANSACTIONS**

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. 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 normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

The University has taken the exemption under FRS 8, relating to subsidiary undertakings where 90% or more of the voting rights are controlled within the group, not to disclose related party transactions.



This publication is available in alternative formats on request. Please contact the Finance Department on **+44 (0) 1642 342720** or email **finance@tees.ac.uk**.

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