

# ANNUAL REPORT AND FINANCIAL STATEMENTS

2018/19



AMBITION  
DELIVERED  
**TODAY**





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# VISION, MISSION AND VALUES

## VISION

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

## MISSION

Teesside University generates and applies knowledge that contributes to the economic, social and cultural success of students, partners and the communities we serve. Through education enriched by research, innovation, and engagement with business and the professions, we transform lives and economies.

VALUES

THE UNIVERSITY HAS SEVEN CORE VALUES



Delivering  
**Excellence**



Empowering  
**Individuals**



Embracing  
**Diversity**



Communicating  
**Openly**



Fostering  
**Creativity**



Committing to  
**Sustainability**



Taking  
**Responsibility**

# Chairman and Pro-Chancellor

## FOREWORD

Teesside University is at the heart of higher education in the Tees Valley and is an economic powerhouse – committed to developing the knowledge and skills to fuel the economy and make a significant impact to the world around us.

**From developing outstanding degree apprenticeships tailored to industry, to addressing societal challenges on a global scale through inter-disciplinary research, the University's work is always relevant and purpose driven.**

We are currently in the midst of the biggest programme of investment the University has seen and this ambition further highlights our dedication to providing an exemplary student and learning experience.

Over the last 12 months, our university has continued to flourish as we establish ourselves as an international institution with a reputation for academic excellence – underpinned by research, enterprise and the professions.

We continue to enhance and improve our university offer and our commitment to maintaining a competitive financial position ensures that the University remains robust and resilient moving forward.

These are challenging and uncertain times for the higher education sector, the economy and the UK as a whole, and we continue to monitor change and development to ensure the University is well prepared to meet the challenges moving forward to ensure Teesside University remains in a globally competitive position.

I would like to express my thanks to our University Chancellor, Paul Drechsler CBE, for his dedication and commitment in helping to drive forward our innovative plans.

As we embark on the last year of our Teesside 2020 Corporate Strategy, this is an exciting time of change and ambition. I am sure we will continue to build on the success of previous years to realise our vision and shape the future of the University as we set the goals for our new 2025 Corporate Strategy.

**Alastair MacColl**  
Chairman and Pro-Chancellor



Over the last 12 months, our university has continued to flourish



# Vice-Chancellor and Chief Executive

## INTRODUCTION

It has been an exceptional 12 months for Teesside University and I am delighted to see our hard work, dedication and commitment recognised in so many ways.

**By successfully working towards the objectives in our Teesside 2020 Corporate Strategy, we have identified strategic priorities and delivered an outstanding student and learning experience.**

It is an exciting time of change and transformation for our University as we look towards the next five years with renewed rigour and purpose. Our new 2025 Corporate Strategy builds upon the University's many achievements and sets out an ambitious future for the institution, inspiring our students, staff and communities across the world.

There have been many developments and achievements which have enhanced our provision, our campus and our impact in the past year.

Our Campus Masterplan continues at pace and has seen the opening of our new Business School, which acts as a catalyst for the entrepreneurial ecosystem of the region.

Work was also completed on the National Horizons Centre which will be a game-changer for the bio-science sector and the new Student Life building is due to open soon, which will revolutionise the way students engage with our University.

In addition, our approach to digital learning was recognised in the annual Educate North Awards, we received the Athena Swan Charter, reinforcing our commitment to advancing the careers of women in science, technology, engineering, maths and medicine and we were delighted to retain our Silver Rating in the Government's Teaching Excellence Framework.<sup>1</sup>

Our apprenticeship provision was rated as Outstanding by Ofsted<sup>2</sup> and continues to set the benchmark in the sector. International students also rated Teesside as top in the country for overall student satisfaction in the International Student Barometer.<sup>3</sup>

The University's ongoing commitment to student and staff wellbeing was reinforced when we were one of a small number of institutions to receive funding for the new Mentally Healthy Universities Programme.

Moving forward, we will continue to strive for excellence and celebrate our position as an ambitious and forward-thinking university which values education and research and is committed to providing an outstanding student and learning experience.

<sup>1</sup> Based on the evidence available, the TEF Panel judged that Teesside delivers high quality teaching, learning and outcomes for its students. It consistently exceeds rigorous national quality requirements for UK higher education. This award was made in June 2019.

<sup>2</sup> Ofsted further education and skills inspection report 2019.

<sup>3</sup> Teesside was ranked number 1 out of 199 world universities for overall average satisfaction in the International Student Barometer 2018 Autumn wave. (410 students participated.)

**Professor Paul Croney**

**Vice-Chancellor and Chief Executive**





Moving forward, we will continue to strive for excellence and celebrate our position as an ambitious and forward-thinking university

# THE UNIVERSITY

Teesside University is a dynamic and modern institution dedicated to delivering opportunities and providing a high-quality higher education learning environment, offering excellent courses taught by committed and passionate staff.

**The University has taken a leading role in widening participation, delivering excellence in the teaching and student experience, applied research, working with industry and the professions and driving economic, cultural and community growth.**

This is a seminal time of development and transformation for Teesside University, building on the higher education heritage which began with the formation of Constantine Technical College in 1930 and saw the first students graduate in 1932 – more than 85 years ago.

Today, Teesside is a leading university with an international reputation for academic excellence. It is also a member of the University Alliance, the established UK higher education mission group of universities committed to the UK's cities and regions.







Teesside, as an educational institution, dates back to the period following the First World War. Joseph Constantine, a local shipping magnate, made a gift to the town to stimulate the establishment of a technical college, formally opened by the Prince of Wales in 1930, to support Middlesbrough's booming engineering and shipping industries.

By 1969, the college had become Britain's 13th polytechnic and by 1970, the student population had grown to 3,000. In 1989, the Polytechnic left local authority control to become a self-governing independent higher education institution – receiving university status in 1992. Since then, the University has continued to flourish with continual expansion of student numbers and diversification of teaching programmes.

Teesside University is currently pioneering the biggest programme of investment and development the institution has witnessed, spending £300m on the campus infrastructure between 2017 and 2026 to further reinforce our commitment to provide an exemplary student and learning experience.

Projects include the new Business School, which is responding to economic and societal needs by building and equipping future leaders, managers and innovators, and the National Horizons Centre, a UK centre of Excellence for the bioscience industry. Work is also progressing at speed on the new Student Life building and the Cornell Quarter accommodation project.

Teesside remains an international university with a global network of partnerships which attract high calibre students and staff from across the world.

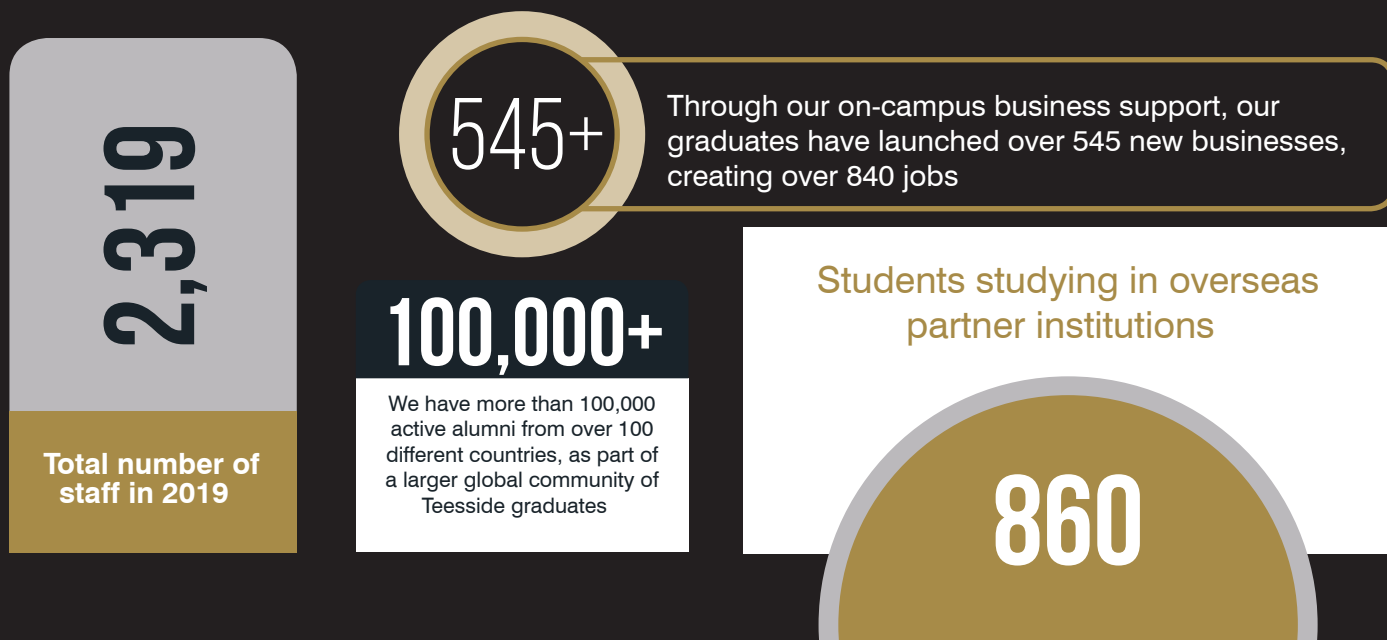
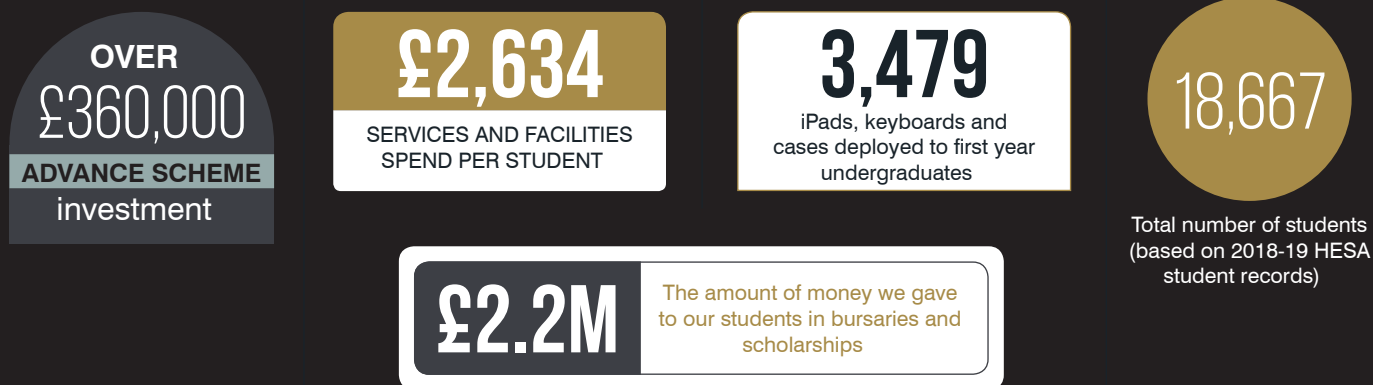
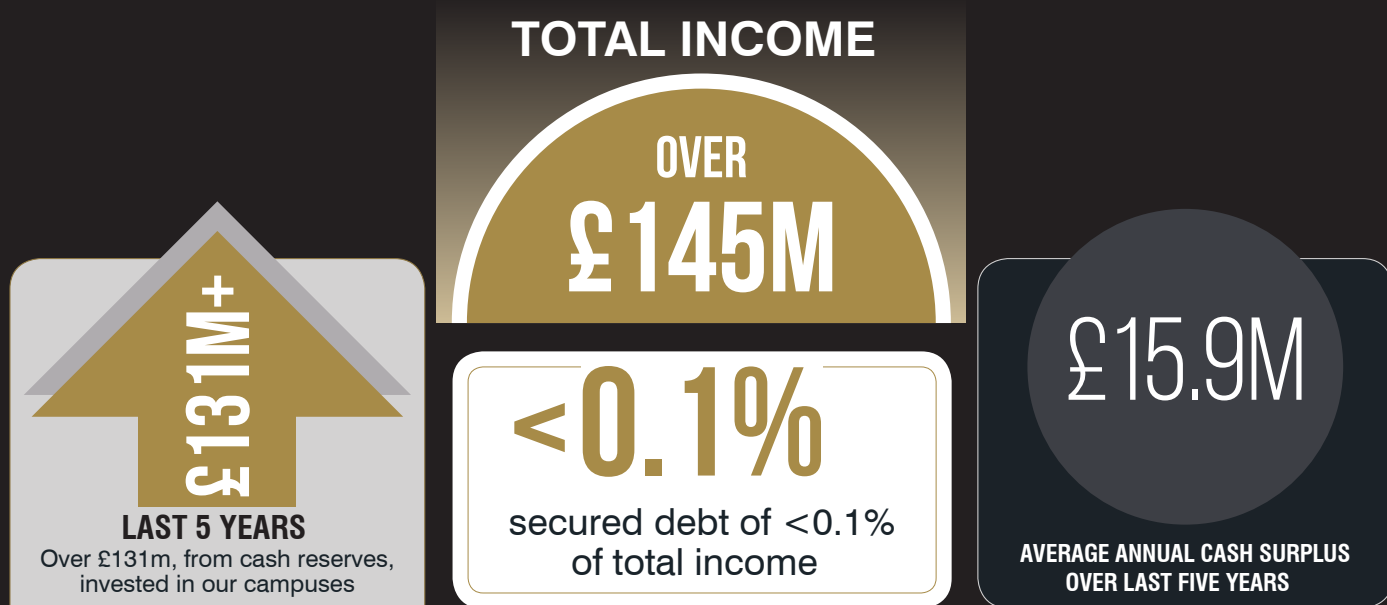
Research programmes are aligned to the UK's Industrial Strategy with a range of global businesses and academic collaborators around five Grand Challenge themes.

The University's ambition is global and through digitisation, international mobility and teaching excellence, Teesside University students and graduates continue to make a real difference, challenge the impossible and break through barriers.

Teesside University continues to demonstrate a commitment to transforming lives and economies and reinforces this through socially-responsible actions, set out in the Teesside University Charter for Social Impact.



# Teesside University in Numbers



## Teesside 2020

# Corporate Strategy 2015-20

Since 2015, Teesside has undergone a transformational journey to consolidate its position as a high performing global institution, committed to delivering an outstanding student and learning experience.

Teesside 2020 continues to drive great successes with increased student numbers, improved quality of courses and a rise in all major rankings for three consecutive years. There have been many developments over the course of this strategy in a bid to enhance our provision, our campus and our impact.

Students are at the heart of everything we do. We are focused on delivering an outstanding student and learning experience through a data driven and digital approach to learning. This year we introduced a bold Future Facing Learning framework – direct response to the educational challenges of the future which will help our students succeed in a complex and ever-changing world.

The goals, vision, clarity of purpose and strategic direction formulated and consolidated through Teesside 2020, has informed the development of our new corporate positioning campaign, Ambition Delivered Today.

## AMBITION DELIVERED TODAY

Focused on making a real difference to the lives of people and the success of businesses and the economy, we challenge expectations and push the boundaries of what is possible. We approach challenges at pace and with purpose. We do not stand still.


We are an ambitious and enterprising University for a focused and pragmatic global new generation. We provide real opportunities and support to realise potential on a campus fit for the future and around the world.

From developing outstanding degree apprenticeships tailored to industry to addressing the societal challenges on a global scale, our work is always relevant and purpose-driven. We value education and research which is innovative, creative and supports the development of solutions to real world challenges.

We work with individuals and businesses to develop solutions that deliver ambition today.

Teesside University's vision is to generate and apply knowledge that contributes to the economic, social and cultural success of students, partners and the communities we serve. Through education enriched by research, innovation and engagement with business and the professions we aim to transform lives through our Strategic Aims.

Development of our new corporate strategy, Teesside 2025, is underway. Our ambition is global; through Teesside 2025, we will see our research and learning deliver impact across the world. We will respond to global priorities through innovation and partnerships. Through digitisation, international mobility and teaching excellence, Teesside University students will continue to make a real difference, challenge the impossible and break through barriers. Teesside 2025 will demonstrate our commitment to our students, our staff and the communities we serve. Through this vision we will achieve excellence across all areas, transforming lives and economies.



## I don't think I would have got where I am today without my degree

Sophie Hammler

BA (Hons) **Business Management graduate**

HUMAN CAPITAL CO-ORDINATOR, LAING O'ROURKE

# STRATEGIC REVIEW

## Learning, Teaching and Student Experience

The Learning and Teaching Strategic Plan 2020 sets out to:

- > **deliver an outstanding student and learning experience** through a commitment to excellence; adoption of innovative and industrially relevant curricula delivered through a future facing learning framework; and inspirational teaching
- > **put students at the heart of everything** by recognising the diversity of starting points, identities, learning styles and experiences and providing support throughout the student journey
- > **create a stimulating learning environment** that provides the space, facilities and technology for effective learning and personal development through the continued investment in the campus masterplan
- > **develop professional high-quality staff** through a sustained focus on continued professional development, with a particular emphasis on digital literacy.

### Key successes in 2018/19

- > Maintained TEF Silver (part-time metrics moved from Bronze to Gold with full-time metrics moving from Bronze to Silver).
- > Winner of the Educate North Student Experience award in recognition of the Future Facing Learning project.
- > A prestigious National Teaching Fellow awarded to an academic.
- > TU Online launched.
- > 20th for 'teaching quality' in the *Times and Sunday Times Good University Guide 2020*.





## Outstanding student and learning experience

In order to fulfil its role as a leading university with an international reputation for academic excellence, the University has continued to grow and invest in areas that enable it to deliver an outstanding student and learning experience. In 2018/19, the creation of the MIMA School of Art, the growth of Teesside University Business School, the introduction of new courses such as those linked to the National Horizons Centre, and the creation of TU Online have led to an enhanced portfolio offer.

The Advance Scheme, which was launched in September 2018, has enabled our students to engage with innovative 21st Century learning approaches and tailored information specific to their learner experience through enhanced digital connectivity.

Building on the already successful fine art courses, the MIMA School of Art will enable growth in art provision, and establish itself as one of the country's leading art schools. Furthermore, through the accolades and reputation of MIMA and utilising its global professional networks, students will gain the opportunity to connect with the wider arts landscape.

Following a review of its existing online provision, the University launched TU Online. As well as implementing the platform itself, activity in 2018/19 focussed on building capacity through the creation of a new online learning team and the development of the portfolio. The platform will enable the University to develop innovative programmes of learning in line with strategic priorities and increase the number of online students. The first courses were launched in May 2019, with further courses launched in September 2019.

The Future Facing Learning Digital Development Programme continues to develop the digital capabilities of teaching staff, including providing support for them to qualify as Microsoft Innovative Educator Experts (MIEEs). 42 members of staff are now qualified, positioning the University as the organisation with the greatest volume of recognised MIEEs across the UK education sector. The University has gained international recognition for its work in this space, resulting in the delivery of a number of keynote presentations, visits from other universities and was the winner of a prestigious Educate North award in the student experience category.

## Stimulating learning environment

Students at the heart of everything remains a core value. In 2018/19, the University has developed a range of ambitious projects for implementation in 2019/20 to ensure an enhanced, learner-centred student experience. For example, the introduction of a Mental Health and Wellbeing Resilience (MHWR) strategy, and the integration of the service offering in the new Student Life building.

In delivering an outstanding student experience, the University is committed to maintaining a healthy community that empowers individuals and ensures that they are able to maximise opportunities during their time at university. Building on current strengths in student support and wellbeing services, the MHWR strategy has an ambitious set of objectives to ensure that the University provides holistic and integrated mental health, resilience and wellbeing activities across the whole of the student journey. The MHWR strategy also provides responsive services with key partners to support individuals experiencing periods of difficulty.

A key element of the Campus Masterplan and centrepiece of the University's plans to further improve the student experience is the Student Life building, a student-centred and student-led space. It will enable students to access information and support them to become autonomous learners. As well as providing a single point of contact for students to obtain comprehensive advice and support, the technology-enabled facility will offer a range of flexible spaces to suit a variety of learning styles. In 2018/19, significant work has been undertaken to ensure that the building and the service offering will be appropriate to the needs of the University's students.

## Academic excellence

Robust quality systems continue to underpin excellence in learning and teaching. The University was one of a small number of institutions selected by the Office for Students to participate in the Teaching Excellence Framework (TEF) subject-level pilot during 2018/19. This exercise built on the University's Continuous Monitoring and Enhancement (CME) system which was introduced in 2018. This approach resulted in wider engagement in performance monitoring and a more reflective and evaluative approach to improving the student and learning experience.

Excellence in learning and teaching at the University is defined and empowered through the Future Facing Learning project. In 2018/19, the University developed the Academic Enhancement Framework (AEF) to ensure that learning and teaching continues to be an integral part of the quality enhancement processes. Drawing upon theory, sector research and institutional data, the AEF establishes baseline expectations and the journey towards excellence for staff involved in delivering or supporting learning and teaching.

## Staff excellence

A commitment to staff excellence continues to underpin the University's strategic approach to learning and teaching. Further roll out of the Future Facing Learning Digital Development Programme, development of the AEF and introduction of new Continuing Professional Development (CPD) courses have provided opportunities to continue transforming learning and teaching. There has been substantial engagement with CPD; more than 700 staff participated in Learning and Teaching Enhancement activity in the past year (more than doubling over two academic years). During 2018/19, one member of academic staff was awarded a highly prestigious National Teaching Fellow.

## Strategic collaborations and partnerships

The University continues to collaborate with Further Education partners through the highly valued Teesside University College Partnership (TUCP). A TUCP business plan was developed in 2018/19, which will enable the partnership to develop and bring together teaching excellence and further stimulate learning that meet the needs of the local and regional economy.

# Research and Innovation

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

Delivered through the Research and Innovation Strategy we aim to:

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

## Research culture and environment

Investment in research excellence and the development of a sustainable, diverse, inclusive and supportive research community remains a priority. The University has continued to strengthen the research environment, establishing a programme of internationally strong research activity to support a high-quality REF submission and ensure our research culture continues to grow. In 2018/19, there has been an increase in the number of staff engaged in research across the University as a result of improved professional development opportunities and support and enhanced recognition of research in the workload model. More than 200 staff with significant responsibility for research have been identified across the University.

In 2018/19, the University invested significantly in the recruitment of new staff to drive forward its research offer and develop areas of research excellence. Following a successful recruitment campaign, 14 new professors and readers have been appointed in key areas including data science, sustainable engineering and digital engineering, with recruitment ongoing for a further six. These appointments will bring significant expertise and grant income into the University, enabling the development of world-leading and internationally excellent research that aligns with the University's Grand Challenges and responds to external drivers, UK Industrial Strategy opportunities and the UN Sustainable Goals.

## Research income

Increasing research income is a key enabler to developing the research environment at the University, and therefore remains high priority. In 2018/19, the University implemented a new research grant, contract and income growth plan which includes the introduction of a Strategic Funding Board to drive a proactive approach to large scale funding opportunities and established support mechanisms for staff developing research proposals. The University's approach of encouraging staff to be more ambitious in terms of the scale and value of the research proposals has resulted in increased activity and success in bidding for and securing new grants. In 2018/19, the University recorded £3.2m annual research income and secured £4.1m of new research grants. Examples of some of the new projects secured include:

- > £690,000 for projects in AI and Smart (sensor enabled) prosthetics
- > £506,000 for decarbonising energy systems in geographically remote regions
- > £480,000 for development of improved technologies for attachment of prosthetic limbs.





## Research students

Growing the postgraduate community is fundamental to increasing the University's research capacity. The University continues to engage with external organisations to ensure it offers a diverse range of research training opportunities and remains heavily committed to a number of Doctoral Training Programmes. Teesside University is a member of two externally funded doctoral training partnerships, which will enable the provision of more doctoral level training opportunities:

- > DTA3 is led by the University Alliance and will support the development and international mobility of research talent from around the world in the applied biosciences for health, energy and social policy. Teesside University will receive up to £1.7m (as part of the £6m secured from the EU CO-FUND programme).
- > The University will also receive up to £2.1m from the Northern Bridge Consortium, an Arts and Humanities Research Council funded programme in collaboration with Durham, Newcastle, Northumbria, Ulster and Queens Belfast universities. This will deliver world class research training and funding support across a broad range of arts and humanities disciplines.

The University continues to invest in measures to grow and support the postgraduate community including the implementation of a new doctoral student recruitment strategy and a new Researcher Development Programme which has increased the availability of supervisors. In 2018/19, the number of postgraduate research students has grown to 262 and the number of PhD completions has increased by 45%.

## Research impact

As an anchor institution, impact and public engagement are central to Teesside University's mission to generate and apply knowledge that contributes to the economic, social and cultural success of the students, partners and the communities it serves. In 2018/19, work has been undertaken to foster a culture of public engagement and build evidence of impact to enable academic staff to demonstrate that their research has relevance and value beyond the University. A number of researchers have fed into, and received recognition for, work on national and international projects.

## Key successes in 2018/19

- > 14 new professors and readers appointed.
- > More than 200 staff with significant responsibility for research identified.
- > PhD completions increased by 21%.
- > 33% increase in research grant and contracts income achieved in 2018/19 at £3.2m (2017/18: £2.4m).

# Enterprise and Business Engagement

The Enterprise & Business Engagement (E&BE) Strategic Plan 2020 was refreshed mid-cycle to align with key national and regional priorities.

## These priorities commit to:

- > becoming the **prominent business-engaged university**, through the development of knowledge transfer initiatives; adopting a role of a business convener; and a partnership approach to business development opportunities
- > acting as an **engine of innovation** through targeted collaborative initiatives to stimulate growth in key sectors and enhance regional prosperity
- > developing **world-ready graduates and employee talent**, through the successful embedding of the student futures strategy across the University, TU graduates are able to engage in key experiences to enhance their future employment prospects
- > operating as a **catalyst for business growth** through key strategic enablers, such as Teesside University Business School, the National Horizons Centre, Launchpad and DigitalCity.

The University saw a number of accolades during the year in recognition of its E&BE achievements, including: Enterprising Britain Award for Improving the Business Environment (winner), European Enterprise Promotion Awards (finalist); and *Times Higher* Entrepreneurial University of the Year (finalist).

## Key successes in 2018/19

- > First Higher Education Institution to be awarded Ofsted 'Outstanding' for Higher Apprenticeships provision.
- > Designation by Research England as a University Enterprise Zone.
- > Sponsorship of the inaugural Tees Businesswoman Awards, promoting gender equality and celebrating success across the Tees Valley.
- > Shortlisted for Entrepreneurial University of the Year at the *Times Higher Education Awards*.
- > Graduate Outcomes – Ranked 35th for Graduate Prospects (*The Sunday Times Good University Guide 2020*).

## Anchor institution

Central to Teesside University's core strategy and the supporting E&BE Strategic Plan is its commitment to the Tees Valley region, and its close relationship with the Combined Authority. This is underpinned by a series of strategic initiatives to enhance the profile, ambition, and economic outlook of our area.

Working with the Tees Valley Combined Authority (TVCA), Local Enterprise Partnership and key stakeholders, the University has made a significant contribution to the local community in supporting economic growth and employment. Through this vital partnership, the University has been directly involved in the delivery of the Strategic Economic Plan, in the development of the Local Industrial Strategy and the Tees Valley Education, Employment & Skills Strategy.

The University has also been key in supporting regional business creation and development, working with a total of 259 Tees Valley businesses in 2018/19, through innovation, leadership and management and scale-up and growth initiatives. Innovate Tees Valley, a major 3-year partnership programme led by the University to increase innovation and innovation propensity among SMEs, concluded in July 2019 with the following outcomes:

- 404 SMEs supported
- 47 jobs created
- 153 new products and services delivered
- Total gross GVA impact of the programme estimated at £19.3m.

Source: Innovate Tees Valley Final Summative Assessment, New Skills Consulting, September 2019.

DigitalCity played a key part in leading digital strategy development with TVCA, at the same time supporting the area's digital cluster with expert interventions and promoting adoption of digital technologies in other sectors. Grants of £2m from the European Regional Development Fund (ERDF) and the North East Regional Investment Fund (NERIF) were secured in July 2019 to support DigitalCity's work for the next three years. This is in addition to ERDF funding for a new programme, Grow Tees Valley (£2.5m) to support businesses looking to improve or develop a product, embed a new service or enter new markets.

The University's 2018 biennial economic impact study reported a contribution to the national GVA of £125m with £90m in the Tees Valley and £18m attributable to knowledge transfer activities.

## Impact through partnerships

The University maintained its focus on developing strategic partnerships as a driver of powerful and multi-level university-business engagement, with 15 such partnerships formally established over the last three years. New partnerships agreed in 2018/19 included: CPI, County Durham and Darlington NHS Foundation Trust, Fujifilm Diosynth Technologies, Cubic Transportation Systems, Learning Curve Group, and the Ministry of Defence.

These relationships will enable the University to deliver real impact for its students, its research, and the economy.

Major campus developments in the year, such as the newly launched Teesside University Business School and the National Horizons Centre (NHC), now open for business, reinforce the University's significant role in place-building, as well as making a strong contribution to economic development.

The Business School is a strategic vehicle for the enhancement of local skills and the development of a productive entrepreneurial ecosystem. Through key courses focused on the development of entrepreneurial capability of managers and leaders, such as the MBA and Senior Leader Degree Apprenticeship, and the scale-up programme LEAP 50, which had two cohorts in 2018/19, the School is building on strong connections with the local business community.

Responding to the needs and opportunities of the UK's growing biosciences economy, worth £220bn GVA, and contributing over five million UK jobs, the NHC opened for business in spring 2019. Founded on partnership with key industry players, including Fujifilm Diosynth Biotechnologies, Waters and the Centre for Process Innovation, it will create a pipeline of graduate talent; design and deliver programmes to address the technical, leadership and digital skills needs of the workforce; develop an internationally competitive applied research and development capability that drives innovation; and provide industry with access to specialised world-class facilities supporting new ideas and learning.

The NHC is leading to significant growth in life sciences disciplines, with increased student numbers (700 students currently enrolled on bioscience-related disciplines) and a new cadre of academic and research staff joining the University throughout 2019.

## Higher and degree apprenticeships (HDAs)

Reflecting its commitment to meeting the employer skills needs, the University has made apprenticeships a core part of its provision. In February 2019, it became the first higher education institution to be awarded an Outstanding rating by Ofsted\* across all areas for its higher (Level 5) apprenticeships, mostly in health disciplines.

2018/19 saw 17 HDAs on offer, with a total of 637 (534 FTE) apprentices enrolled, a 76.5% headcount increase on 2017/18. (2017/18: 361 (352.8 FTE)). Significant investment was made in expanding the Apprenticeship Team to ensure continuing quality of experience for growing numbers of employers and apprentices. The University worked in partnership with Teesside University Colleges Partnership (TUCP) and The Learning Curve Group to map and promote progression opportunities from Level 3 to Level 7.

## Student Futures

Delivery of the Student Futures strategy, to equip students with the skills and experience to succeed in their chosen careers, saw a number of new developments in 2018/19.

The University's internship scheme, re-launched in February 2019, helped over 130 students and graduates secure work experience. An additional 38 graduates were supported through the University's Graduates for Growth ERDF programme. These programmes have been invaluable in both promoting graduate-level employment and equipping students with job-ready skills and experience and behaviours.

International volunteering was introduced, with a group of students from the School of Social Sciences, Humanities & Law completing a successful four-week programme in Indonesia and 20 nursing students from the School of Health & Social Care visiting Cambodia for two weeks in the summer. This new activity is made possible only by collaborative working across the University to create an outstanding student and learning experience.

A successful bid to the Office for Students Industry Challenge Competition secured support for those students and graduates facing disadvantage in the labour market. Advantage Tees Valley, running for three years to July 2022, will help disadvantaged groups increase their chances of securing local graduate-level jobs.

Twenty-three new start-up companies were launched during the year, creating 27 jobs. Launchpad, the University's business incubator, ran another successful FUEL programme, resulting in investment for a number of businesses; and others fledged to business centres in the Tees Valley, including Fusion Hive and the Boho Zone. Some 190 graduates are running or working in digital companies in the Boho Zone, Tees Valley's digital, creative and business hub.

A record number of students and visitors (160+) attended the Volun-cheers Awards evening in May, where 136 students received awards for their participation in local community ventures.



# International

The International Strategic Plan 2020 set out Teesside University's ambition to significantly grow the institution's global engagement and reputation.

## This aim will be achieved through:

- > **attracting high-quality students and staff** from across the world, by developing a reputable global brand for excellence in teaching and learning
- > **creating opportunities** for international experience within the curriculum and promote cross-cultural understanding across the University
- > **growing transnational education** opportunities to facilitate student and staff exchange and diversify income streams
- > **facilitating international research and knowledge transfer** by working collaboratively across portfolio areas to enhance global opportunities.

## Internationalisation

The delivery of the international strategic plan complements the University's overarching aim of being an international university and is underpinned by a commitment to enhance the global outlook and awareness of students and staff through innovative and relevant experiences.

The strong performance of the international portfolio over the last few years has seen this internationalisation approach become more embedded across the University.

Key initiatives, such as the Language Café and country-specific celebration events, provide an opportunity for both home and international students to engage, learn about different cultures and improve language and communication skills. In November 2018 the annual Festival of Wellbeing adopted International Wellbeing as a core theme, showcasing relaxation methods from across the world, embracing the diversity of culture that exists across the University.

The introduction of a new suite of programmes to include a work experience element has seen a surge in demand from international students who, similar to UK students are now prioritising employability prospects as a key driver to study. Student recruitment from key international markets, such as China and India, reported significant increases for the year.

International student recruitment overall has again surpassed annual targets for 2018/19, resulting in a more diverse student body enriching the overall student experience.

In the current geopolitical climate, many sectors are engaging beyond country boundaries in a bid to embrace globalisation for future generations. Teesside University's work in this area over the last 12 months has helped develop a strong brand, to build upon over the coming years.

## TU Global

Following the launch of TU Global, a coordinated approach to mobility across all five Schools, is overseen by the Department for International Development. Centrally organised experiences include trips to Malaysia, India and China throughout the academic year, with School-specific trips also offered. Students on the flagship MBA programme at Teesside University Business School recently travelled to Singapore, Prague and Germany to learn more about different approaches to leadership; and in summer 2019, students visited countries including Peru and Malaysia, through the University's International Work Experience Programme.

Teesside's International Summer Programme welcomed over 80 international students to the campus. Participants engaged in English language and subject-specific sessions.

## Vice-Chancellor Scholarships

The introduction of the Vice-Chancellor Scholarships received an overwhelming number of applications from high quality students across the world and due to its inaugural success the University took the decision to expand the offer to reach more students for 2019/20.

## Strategic partnerships

Preparations for a customer relationship management (CRM) system, which allows the international portfolio to operate more strategically has been developed throughout the year, with implementation due in 2019/20.

The university-wide adoption of the CRM system allows portfolios to work collaboratively across all partners, and for the international team, allows them to manage international partners more effectively, identifying opportunities for partner and product development, as well as research and CPD potential.

In line with the University's ambition to work with a global network of partnerships, strategic agreements have been consolidated with high quality partners in vital markets.

Focussing on the development and sustainment of a reputable global brand, the University has actively targeted high quality partners in key markets, such as Kaplan, Amity Singapore and Vishwaniketan, India with agreements now in place to commence in the new year.

The consolidation of current partners has seen the development of a joint venture arrangement in Prague, new initiatives developed with Hyper Island in Stockholm and an increase in students from our China partners.



## Key successes in 2018/19

- > Teesside University is ranked number 1 of 199 world universities for overall average satisfaction in the International Student Barometer 2018\*.
- > Ranked in the *Times Higher Education World University Rankings 2020* ^ .
- > Shortlisted as a finalist in The PIEoneer Awards 2019, in the Public/private partnership of the year category for work with Uniquist.
- > The Department for International Development won the Team of the Year Award at the Teesside University STAR Awards, acknowledging the progress made across this portfolio over the last year.

\* Based on the views of 410 students. International Student Barometer 2018.  
More info at [bit.ly/info-i-graduate-IBS2018](http://bit.ly/info-i-graduate-IBS2018) Full verification data available on request: Email [info@i-graduate.org](mailto:info@i-graduate.org)

^ Find out more at [tees.ac.uk/source](http://tees.ac.uk/source).



# Resources and Business Management

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

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

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



## 2018/19 Resources and business management KPI performance

The RBM Strategy is delivered by our professional services (including Campus Services, Student Recruitment & Marketing, Legal & Governance Services, Finance & Commercial Development, Human Resources, IT & Digital Services and Strategic Transformation & Change) who continue to keep the University safe and sustainable, secure investment and growth, drive service excellence and support academic excellence and the student and graduate experience. Our overall position continues to be extremely strong with 100% of the target key performance indicators (KPIs) set out in the RBM strategy achieved.

KPI	Target	Actual	RAG Rating
Total student enrolments (FTE)	13,989	14,204	●
Total student enrolments off-campus included in total student enrolments (FTE)	1,303	1,299	●
Minimum annual surplus* as a % of total income	5.0%	8.7%	●
Minimum resources available for investment (EBITDA)/Total income (%)	8.0%	14.6%	●
Cash balance**	£30m	£43.3m	●
Pay***:Income ratio (%)	58.7%	55.4%	●
Student:Staff ratio (number)	18.5	18.2	●
Services and facilities spend per student	£1,725	£2,634	●
Maintain Investors in People	Maintain Gold status	Gold status	●

\* Excluding measurement adjustments for defined benefit pension schemes and holiday pay | \*\* Including amounts on deposit |

\*\*\* Adjusted for defined benefit pension schemes, restructuring costs and holiday pay



## Strategic Transformation and Change

Introduced in January 2018 the Strategic Transformation and Change (STC) programme is now embedded into operations, gaining momentum, delivering success and clearly supporting our key strategic aims and delivery of Teesside 2020. The current year saw 50 live projects (covering all portfolio areas) in the STC programme across a range of activities including; process review, system implementation and strategy development. Our ambitious programme is realised through a coordinated and holistic approach resulting in a strategic step change in University activities in addition to seeking continuous improvement across the University.

## Campus developments

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

### Developments completed this year include:

- > the Business School (major refurbishment and redevelopment of the former Student Centre)
- > the National Horizons Centre (a national centre of excellence for the UK bio-economy at the Darlington Campus)
- > demolition of the Brittan building and Centre House (to facilitate construction of the new Student Life building)
- > continued refurbishment of general purpose teaching rooms in the Constantine building and lecture theatres in the Centuria building.

### Developments in construction during the year include:

- > construction of the new Student Life building continues which is scheduled for completion in November 2019, and
- > construction of the new Cornell Quarter (student residential accommodation) which will provide 300 ensuite bedrooms with completion programmed for September 2020.

## Service excellence

Over the last year we have continued to make improvements to our professional services, with a regular review of all activities embedding operations under a single model of service excellence that supports and complements the student experience. This year has seen a launch of a review of services supporting students directly under the Student Life offer ahead of the opening of the Student Life building in January 2020. As in previous years, our achievements this year have been underpinned by robust financial management, effective use of resources and delivery of all financial KPIs.

## Our people

The University's aim is to maintain and enhance effective leadership, recruitment, development and motivation of our workforce. During 2018/19 there were several significant developments and achievements which have supported this aim. These projects together with further plans for 2019/20 are as follows:

### > New School and Services Workforce Plans

A new workforce planning tool has been developed and rolled out to all schools and services, enabling more effective planning of staffing resources over a five-year period. The outcomes from these plans together with the strategic workforce changes required to support the University's key corporate strategies and HR best practice will inform the University's Workforce Strategy scheduled for development early in 2020.

### > Review of University Operating Models

The University has undertaken several staffing restructures to support the move towards a more centralised delivery of key administrative processes and streamline the services provided to students. A key project in 2018/19 was the review of the School administrative teams and the move of student admissions and timetabling into a central hub which involved the redeployment of over 100 staff. Further work will take place during 2019/20 to maximise collaboration across schools and services and make more effective use of digital technology to reduce routine processing. This work is directly supporting the University's Strategic Transformation and Change Programme.

### > Creation of a new University Values and Behaviours Framework

The University's values are clearly articulated in our Corporate Strategy and this framework identifies a set of behavioural statements for each of the University's seven values. These statements capture what is expected of staff in terms of workplace behaviours and actions at three different levels: senior leaders, managers and supervisors and all staff, in relation to each value. Implementation of this framework in the recruitment, development and performance management of University staff during 2020 will help shape the University's future facing workforce where staff behaviours contribute significantly to the effective operation of the business.

### > New Staff Health and Wellbeing Strategy

The University has launched a new Staff Health and Wellbeing Strategy which aims to improve the health and wellbeing of staff in six key areas; physical health/wellbeing, mental health/wellbeing, ageing workforce, caring responsibilities, stress at work and gender specific health/wellbeing. As a result of this new development, the University was awarded the North East Better Health at Work Continuing Excellence Award; the highest level awarded, demonstrating its continued commitment to the wellbeing of all of its staff.

## Equality and Inclusion Developments

During 2018/19, the University was ranked 47th in the Stonewall Workplace Equality Index\* (7th highest in the HE sector) recognising its important work in supporting its LGBTQ + community. The University's work on transgender awareness was particularly highlighted.

The University also achieved Disability Confident Leader status for its work in supporting both disabled staff and applicants. As well as recognising the University's good practice in this area, the Leader status means that the University can now also act as guide to other organisations hoping to achieve Disability Confident status.

In November 2018, the University also achieved the Athena Swan Institutional Bronze Award. The award recognises universities who demonstrate a commitment to supporting females to succeed in traditional STEM subject areas and measures the quality of support for women returners and the promotion and development of female staff.

All these developments demonstrate the University strong commitment to equality and inclusion and a new Equality and Inclusion four-year action plan will be developed during 2020 to build on this success.

## Trade unions

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

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017 the Facility Time report for both UCU and UNISON for 2018/19 at Teesside University was as follows:

- > trade union representatives: 22 (2017/18: 16)

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- > FTE trade union representatives: 21.5 (2017/18: 15.51)

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- > overall facility time (as % FTE of working time): 2.96 FTE (2017/18 2.78 FTE)
  - 0% of working hours: 1 representative (2017/18: 0)
  - 1% - 50% of working hours: 19 representatives (2017/18: 15)
  - 51% - 99% of working hours: 2 representatives (2017/18: 1)
  - 100% of working hours: 0 representatives (2017/18: 0)

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- > percentage of total pay spent on facility time: 0.19% (2017/18: 0.19%)

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- > percentage of total paid facility time hours spent on paid Teesside University activities: 2.58% (2017/18: 2.74%).

## Key successes in 2018/19

Professional services, under an overarching service excellence model, have delivered a range of significant activities in 2018/19 as set out below:

### Finance & Commercial Development

- > Delivery of all financial KPIs for 2018/19 and further year-on-year improvement in key controllable metrics through the Resource Allocation Model.

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- > Delivered all key objectives within the Financial Strategy.

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- > Achieved a record cash surplus of £21.1m.

### Strategic Transformation & Change (STC)

- > Embedding the STC programme and team into university operations.

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- > Approval of a blueprint for student facing services and launch of the Student Life service redesign.

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- > Development of two new digital learning and engagement platforms to support our students.

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- > Delivery of a school administration review in the context of the University operating model.

### Legal & Governance Services

- > Electronic and meeting software introduced for all Board of Governors and committee meetings.

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- > Launch of a cross-university project Information Governance Framework under the Strategic Transformation & Change programme.

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- > Supported the introduction of a new student Attendance Policy and Attendance Monitoring & Engagement Framework.

## IT & Digital Services (ITDS)

### > Client services

All planned deployments of student PCs and applications were successfully completed before the start of the academic year. This included the deployment of over 3,000 iPads to new UG students, bringing the University's fleet of managed iPads to over 8,000. All University PCs, Macs, and iPads are managed devices allowing ITDS to remotely ensure software is up-to-date and secure. Over summer 2019 ITDS upgraded the MyPrint service providing new higher capacity managed printers across both campuses.

### > Infrastructure services

The Information Assurance team have continued to embed the campus-wide vulnerability management platform which now monitors over 5,000 devices, detecting and patching an average of 4,500 vulnerabilities per month. The Server Team focused on infrastructure upgrades with an overhaul of the University's virtual server and storage architecture. The Network Team projects focused on upgrades to the network edge provision across the campus as well as the upgrade of our CISCO firewalls and Palo Alto Intrusion Prevention Systems.

### > Application services

eForm solutions have become embedded within standard development activities with electronic submission and built-in workflows replacing over 10,000 transactions in the 2019 calendar year. ITDS have supported the University in the introduction of a digital attendance monitoring solution replacing paper registers which will be in place in all Schools in the current academic year. This system is linked to the publication of individual student timetables via the MyTU student portal and the outputs of attendance monitoring feed into the new Learner Analytics platform, helping Schools to monitor and support student engagement.

### > Service excellence

ITDS continues to focus on service excellence, building on its implementation of the industry standard ITIL framework. It has achieved re-accreditation for Cyber Essentials 2019, and has achieved ISO20000 Accreditation for its service provision. ISO20000 is an international standard used to define and underpin best practice for IT Service Management. ITDS is one of the first UK organisations to be accredited under the new 2018 standard and one of only a small number of HE organisations to hold the accreditation.



### Student Recruitment & Marketing (SRM)

In an increasingly competitive environment, SRM has continued to position Teesside University as a first-choice destination for students across all our recruitment streams. Responding to opportunity markets, SRM has begun to reposition aspects of its student recruitment campaigns to appeal to a broad-base audience. Working collaboratively with Corporate Communications & Public Relations (CCPR), the University has delivered a new corporate campaign; Ambition Delivered Today, which highlights Teesside's agility and promotes our ambition for Teesside 2025. Our commitment to delivering high-quality on-campus events has seen an increase in the overall number of visitors to campus and has – through collaboration with colleagues across the institution – helped deliver the overall student enrolment targets for the University. Through the STC project, SRM has also completed the centralisation of admissions to help enhance the applicant experience.

Key highlights include:

- > Delivery of the student enrolments target in line with Teesside 2020 KPIs.
- > Launch of the new corporate campaign Ambition Delivered Today.
- > Positioned recruitment and marketing activity to respond to opportunity markets.
- > Successful centralisation of the University admissions processes and team.

### Campus Services

- > Completion of initial phase of Campus Masterplan enabling projects and strategic developments. This includes delivery of two major capital projects and development of two major projects during the year.
- > Ranked number 1 of 44 UK universities for overall average satisfaction with student living in the International Student Barometer (2018)\*.
- > Successful introduction of accommodation management software system.
- > Successful implementation of individual student timetables across all Schools.
- > Creation of a new Learning Environment Technical Support team to aid and assist with development of future facing learning spaces to maximise the student experience.
- > Enhancement of exams/assessments process.
- > Continued reduction in carbon emissions (circa 12%).
- > Waste management – zero waste to landfill.
- > Maintained Ecocampus Gold status (Environmental Management System).
- > New Business Continuity and Major Incident Management Plan.
- > Successful implementation of the security action plan, introduction of PCSO on campus, and collaboration with Middlesbrough Council's Town Centre Task Force security team.
- > Introduction of a new catering offer throughout all campus outlets resulting in increased sales.
- > Successful introduction of Safezone – an emergency response app for University staff and student safety at home and whilst working abroad.
- > Winner of the CriticalArc EMEA Most Creative Launch of Safezone Award 2019.

\* Find out more at [tees.ac.uk/source](https://tees.ac.uk/source).

# Financial highlights and Chief Operating Officer overview

During the year, Teesside University has again achieved 100% of its financial KPIs and delivered improvements on key controllable financial metrics. The University has also delivered against the objectives of its financial strategy ensuring the financial position of the University remains robust and resilient.

## 2018/19 financial strategy performance

### > Financial stability and resilience

- Maintaining strong net cash balances – £43.3m (2017/18: £51.7m) holding minimal borrowing – secured borrowings of < 0.1% of turnover (2017/18: 0.1%).
- Cash at 100+ days expenditure at all times.
- Levels of investment that are contingent upon student recruitment performance.

### > Financial sustainability

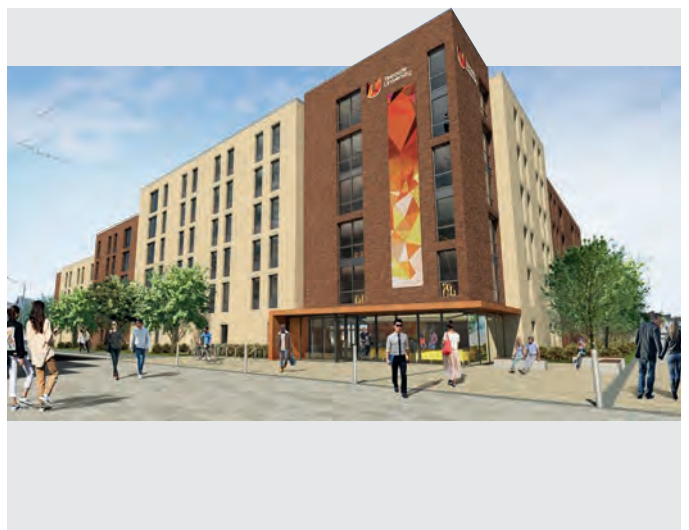
- Targeted growth in student numbers achieved ensuring a strong cash surplus position returning EBITDA of 14.6% during the year (2017/18: 14.7%).
- Delivering investment in growth and continuing to enhance the student experience.
- Delivering significant cost efficiencies across the University during the year through the implementation of the Strategic & Transformation Change programme.

### > Investment capability

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

A major feature of the year was a significant programme of investment across the University to further enhance and support the student experience. This programme included over £38m (2017/18: £25m) of capital investment during the year, as well as continued targeted investment to support student recruitment, curriculum development, international growth and research. This was complemented by the continued identification and delivery of efficiencies across both the pay and non-pay cost base.

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





## 2018/19 financial performance against 2017/18

The University's consolidated financial performance for 2018/19 can be summarised as follows:

- > total income of £145.1m (2017/18: £141.2m)
- > surplus after tax of £3.3m (2017/18: £8.6m)
- > cash generated from operating activities: £17.4m (2017/18: £19.1m)
- > investment in capital expenditure: £38.7m (2017/18: £25.3m)
- > net assets of £126.0m (2017/18: £142.7m).

Following adoption of FRS 102 the change in the methodology to be used for calculating the LGPS current service pension cost has resulted in additional SOCI charges of £3.4m (2017/18: £4.5m). Furthermore exceptional pension costs of £3.9m (2017/18 – £nil) are included in staff costs. These costs reflect the potential impacts of the McCloud/Sargeant judgement (£3.2m) and the guaranteed minimum pension equalisation (£0.7m) on the Teesside Pension Fund (TPF), of which the University is a member.

The McCloud/Sargeant judgement found that transitional protection arrangements put in place when the firefighters' and judges' schemes were reformed were age discriminatory. The government has committed to seeking a remedy across all public sector schemes which included similar transitional arrangements, which includes the Local Government Pension Schemes, of which the TPF is part of.

The High Court ruled that equalisation for the effects of unequal guaranteed minimum pensions (GMPs) is required. Whilst public sector schemes have a method to equalise GMPs the reforms made to the State Pension system in April 2016 removed the facility to fully index the pension.

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

### Five-year summary of income and expenditure

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

	2018/19	2017/18	2016/17	2015/16	2014/15 Restated
	£'000	£'000	£'000	£'000	£'000
Tuition fees and education contracts	110,749	108,155	102,321	95,792	87,334
Funding grants	15,448	15,108	13,740	13,983	16,668
Research grants and contracts	3,244	2,445	2,558	3,003	2,283
Other income	15,061	14,971	15,849	16,950	14,971
Investment income	395	318	313	377	465
Donations and endowments	157	182	275	–	–
<b>TOTAL INCOME</b>	<b>145,054</b>	<b>141,179</b>	<b>135,056</b>	<b>130,105</b>	<b>121,721</b>
<b>TOTAL EXPENDITURE</b>	<b>(141,762)</b>	<b>(132,502)</b>	<b>(131,125)</b>	<b>(126,174)</b>	<b>(119,088)</b>
Add: measurement adjustments	9,272	4,337	5,507	3,252	2,970
<b>TOTAL EXPENDITURE EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS</b>	<b>(132,490)</b>	<b>(128,165)</b>	<b>(125,618)</b>	<b>(122,922)</b>	<b>(116,118)</b>
<b>SURPLUS BEFORE OTHER GAINS EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS</b>	<b>12,564</b>	<b>13,014</b>	<b>9,438</b>	<b>7,183</b>	<b>5,603</b>
<b>Net Margin</b>	<b>8.7%</b>	<b>9.2%</b>	<b>7.0%</b>	<b>5.5%</b>	<b>4.6%</b>

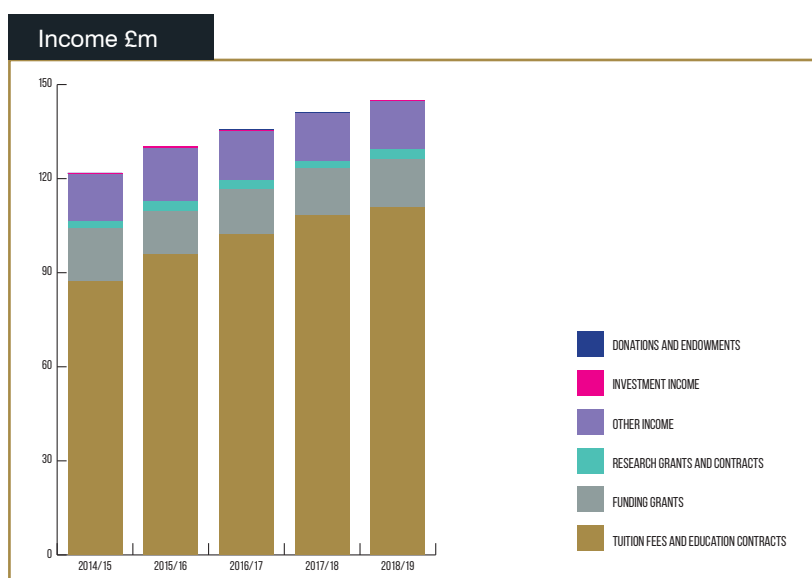
The University remains focused on maintaining its resilience, sustainability and effectiveness as it plans for continued investment in the student experience, the campuses, infrastructure and equipment. This will be achieved through a continued focus on diversifying and growing income, securing efficiencies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

## Income

Total income in the year was £145.1m representing an increase of 2.7% over the previous year (2017/18: £141.2m). The main movement is:

- > tuition fee income and education contracts increased by £2.6m. This was predominantly due to fee income from full-time home and EU students increasing by £5.3m and international students by £3.8m offset by a reduction of £6.2m in income from education contracts. The reduction in income from education contracts reflects the shift from NHS-funded courses to tuition fee loans for students studying nursing and allied health professions.

Income from tuition fees and education contracts accounts for 76.4% (2017/18: 76.6%) of total income and is illustrated in the chart.



## Expenditure

Total expenditure was £141.8m, an increase of £9.3m in the year (2017/18: £132.5m).

The main movement year-on-year is:

- > staff costs were £90.4m (2017/18: £81.7m), an increase of £8.7m or 10.6%. This increase includes the exceptional pension cost of £3.9m referred to on page 29. Additionally there is an increase in year-on-year salary costs of £2.4m (3.9%), reflecting the pay award of 2% per annum, incremental costs for staff on the national pay scale and the increase in average staff FTE of 48 FTE. Excluding FRS 102 costs and restructuring costs this represents 55.4% (2017/18: 54.9%) of total income.
- > Restructuring costs increased by £1.1m (111% increase) compared to 2017/18 due to a focused staffing review undertaken during the year.
- > There were increases of £0.8m and £0.4m relating to the provision for the deficit on the Universities Superannuation Scheme and enhanced pensions respectively.

## Surplus

The net margin of 8.7% represents a strong financial performance for the year. The surplus before other gains of £3.3m is a decrease of £5.4m on 2017/18 (£8.7m) and is due to the exceptional pension costs of £3.9m, the increase in restructuring costs of £1.1m and an increase of £0.7m in net depreciation. It is important for the University to generate a surplus in order to achieve the Teesside 2020 Corporate Strategy, including delivering the Campus Masterplan.

## Balance sheet

Total assets less current liabilities of the group increased this year by £21.0m to £232.4m. The main areas of change were:

- > increase in fixed assets of £27.7m
- > reduction in cash and cash held on term deposits of £8.4m.

The group's total net assets have decreased by £16.7m which is due to an increase in long-term creditors of £8.8m as a result of an increase in capital grants (£8.6m), an increase in the FRS 102 pension provision of £28.9m offset by the movements in fixed assets and cash and cash equivalents referred to above.

## Capital programme

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

- > completion of the Business School in December 2018 (£7.5m)

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- > completion of the National Horizons Centre – a national centre of excellence for the UK bio-economy in March 2019 (£22.3m)

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- > completion of the RIBA Stage 3+ design for Woodlands Student Residential Accommodation (Phase 1)

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- > construction of the Student Life building (due for completion in November 2019). (£13.1m)

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- > construction of the Cornell Quarter (300 bedroom en-suite student residential Accommodation) due for completion in September 2020. (£21.4m)

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- > design development of the Buttery – to become a new postgraduate hub – construction to commence in May 2020, with completion planned for January 2021

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- > a range of ongoing enabling projects identified in the Campus Masterplan which contribute to the enhancement of the student experience.

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

## Cash flow

During the year performance was strong with £17.4m (2017/18: £19.1m) generated from operating activities. Debtors increased by £7.6m due to the transfer of funding from NHS fee and maintenance bursaries for nursing, midwifery and associated professions allied to medicine to tuition fee loans and maintenance grants and loans in 2017/18 and in 2018/19 the funding of dental hygiene and dental therapy students changed in the same way. Additionally, the University has increased the number of students studying degree apprenticeships which are funded through the Education and Skills Funding Agency and 20% of the fee is withheld until completion of the course. There was a decrease in short-term deposits of £19m and an increase of £10.6m in cash balances. This reflects fixed asset expenditure during the year of £37.8m which was funded through existing cash balances and the cash surplus generated in the year.

## Treasury management

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

Short-term deposits have decreased to ensure that the University has sufficient readily available cash to fund the extensive capital programme.

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

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





## Five-year summary of key statistics

	2018/19	2017/18	2016/17	2015/16	2014/15 Restated
	£'000	£'000	£'000	£'000	£'000
Tuition fees and education contracts	110,749	108,155	102,321	95,792	87,334
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Investment income	395	318	313	377	465
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<b>TOTAL INCOME</b>	<b>145,054</b>	<b>141,179</b>	<b>135,056</b>	<b>130,105</b>	<b>121,721</b>
<b>TOTAL EXPENDITURE</b>	<b>(141,762)</b>	<b>(132,502)</b>	<b>(131,125)</b>	<b>(126,174)</b>	<b>(119,088)</b>
<b>SURPLUS BEFORE OTHER GAINS</b>	<b>3,292</b>	<b>8,677</b>	<b>3,931</b>	<b>3,931</b>	<b>2,633</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>17,426</b>	<b>19,110</b>	<b>14,893</b>	<b>13,235</b>	<b>7,835</b>
<b>(DECREASE)/INCREASE IN CASH AND BANK DEPOSITS IN THE YEAR</b>	<b>(8,402)</b>	<b>4,009</b>	<b>5,674</b>	<b>(9,412)</b>	<b>(20,786)</b>
Non-current assets	204,214	175,978	159,834	156,328	139,663
Net current assets	28,165	35,372	32,030	26,437	36,522
Creditors due after more than one year	(31,086)	(22,306)	(15,307)	(15,147)	(15,030)
Provisions (excluding pension liability)	(4,672)	(4,602)	(4,880)	(5,301)	(4,973)
<b>NET ASSETS BEFORE PENSION LIABILITY</b>	<b>196,621</b>	<b>184,442</b>	<b>171,677</b>	<b>162,317</b>	<b>156,182</b>
<b>PENSION LIABILITY</b>	<b>(70,598)</b>	<b>(41,791)</b>	<b>(40,220)</b>	<b>(61,735)</b>	<b>(32,522)</b>
<b>NET ASSETS AFTER PENSION LIABILITY</b>	<b>126,023</b>	<b>142,651</b>	<b>131,457</b>	<b>100,582</b>	<b>123,660</b>

# GOVERNANCE

## Public Benefit Statement

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

**Teesside University has been at the heart of higher education and skills in the Tees Valley for over 85 years and continues to have a positive impact on the North East. As an anchor institution, the University is focussed on addressing regional priorities and has taken a leading role in widening participation, delivering teaching excellence, and working with industry and local stakeholders to drive economic, cultural and community success.**

As an institution, we have recently become a signatory of the Civic University Commission and also committed to the Social Mobility Pledge.

The University addresses key challenges faced by many young people in the Tees Valley including low aspirations, lack of access to professional networks, limited social and cultural capital and issues connected to student confidence. We successfully recruit large numbers of students from low participation neighbourhoods (circa 30%, Access and Participation Plan 2019/20). We also attract large numbers of local students: around 55% each year from the immediate Tees Valley and a further 20% from the wider North East, where levels of deprivation are higher than other parts of the UK. The University seeks to broaden horizons and raise aspirations amongst all our students and the local community, by enhancing access to education, skills development and employment opportunities.

We have worked alongside Tees Valley Combined Authority (TVCA) on the development of the Tees Valley Skills Strategy and the Local Industrial Strategy, translating regional priorities into the University's own Corporate Strategy to ensure a cohesive approach to enhancing the local ecosystem.

The University's contributions to social impact are widespread across the organisation. The University's existing Corporate and Social Responsibility framework has recently been reviewed and revitalised, to strategically consolidate work across the university that delivers social impact. The new social impact charter will encompass all of the University's work across the key themes of social mobility, civic engagement, public engagement with research, environmental impact and our cultural offer. The principles will guide the University's existing and developing social impact work. A new governance structure has been established to provide oversight across the social impact themes, ensuring that we maintain a high-level programme of activity that can be measured and impact fully demonstrated.

### Highlights:

- > **Teesside University College Partnership (TUCP)** – The University's strategic partnership with Darlington College, Hartlepool College, Stockton Riverside College and Redcar and Cleveland College facilitates the development of provision that delivers a seamless pathway of education and training to HE level, which responds to the economic challenges of the region.
- > **National Horizon Centre (NHC)** – Opened in 2019, the University's flagship NHC will catalyse the growth of the UK bioscience sector by delivering outstanding technical, leadership and digital skills developed in partnership with industry, underpinned by world-class research, innovation and teaching. It has already delivered a significant boost to local training and employment including new jobs, apprenticeships and more across the supply chain.
- > **Middlesbrough Institute of Modern Art (MIMA)** – MIMA is a renowned international museum with a civic mission and community engagement at its heart. In 2019, MIMA became home to the University's School of Art & Design further embedding the University in the cultural development of communities on a regional, national and international scale.
- > **The Middlesbrough Settlement Initiative** – The Middlesbrough Settlement Initiative is a resident-led programme of artful activity that draws on the area. Part of TVCA's Great Place scheme, the University (through MIMA) is developing projects that support learning, develop cohesion and build towards social activism.
- > **North East Collaborative Outreach Programme (NECOP)** – NECOP is a regional collaborative project focussing outreach activity in areas where participation in higher education is low. The programme is focused on supporting a very specific cohort of young people in Years 9 - 13 to make a rapid improvement in higher education progression rates.
- > **Sanctuary Scholarships** – Teesside University is the only HEI in the North East to participate in this initiative. The scholarships fund 5 students who have been granted asylum to access HE
- > **Student Futures** – Through the Student Futures Strategy, the University continues to drive strategic initiatives to enable students to develop key attributes to help them achieve their ambitions. In 2018/19 the Summer Internship programme has supported 60 undergraduates with six-week placements and the University's in-house recruitment service offer has now been established, with 285 vacancies advertised this year, and 80 new employers engaged.

# Board of Governors

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

## Independent members

Dr Jane Atkinson\*

Mr Dean Benson (appointed 16 November 2018)

Mr Robin Bloom (Treasurer) (resigned 16 November 2018)

Mr Paul Booth OBE

Ms Ada Burns (Treasurer) (redesignated from Co-opted to Independent 16 November 2018)

Mr Bob Cuffe (resigned 16 November 2018)

Mr Chris Fleetwood

Ms Shahda Khan MBE (resigned 16 November 2018)

Ms Yasmin Khan (appointed 27 September 2019)

Ms Sue Kiddle

Mr Alastair MacColl (Chairman and Pro-Chancellor)

Ms Siobhan McArdle\*

Mr Dermot Russell

Mr Steve Tonks

Ms Claire Vaughan (appointed 16 November 2018)

Mr Ian Wardle (resigned 24 May 2019)

Mr Godfrey Worsdale OBE

## Vice-Chancellor and Chief Executive

Professor Paul Croney

## Staff and student representatives

Dr Safwan Akram (appointed 1 May 2019)

Ms Sophie Bennett (appointed 1 July 2019)

Mr Dann Cooley

Mrs Marion Grieves (appointed 1 September 2018, resigned 30 September 2019)

Mr Alan Lofthouse (appointed 1 July 2019)

Ms Helen Page (resigned 24 May 2019)

Mr Tom Platt (resigned 25 January 2019)

Mr Andrew Richardson (resigned 28 June 2019)

## Co-opted members

Mr James Cross

Mr John Hogg\*

Mr Nick Johnson (appointed 16 November 2018)

Professor Philip Jones

## Secretary to the Board of Governors

Mrs Helen Cutting

*\*Dr Jane Atkinson, Mr John Hogg and Ms Siobhan McArdle resigned on 22 November 2019, after the approval of the Annual Report and Financial Statements.*

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

# Statement of corporate governance and internal control for the year ended 31 July 2019

## Corporate governance statement

Teesside University was established as a higher education corporation under the provisions of the Education Reform Act 1988 and granted University title and associated powers in the Further and Higher Education Act 1992. The University is also an exempt charity under schedule 3 of the Charities Act 2011, with the Office for Students as its principal regulator.

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

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

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

## Summary of the University's structure of corporate governance

The following processes for governance have been in place throughout the year ended 31st July 2019 and up to the date of approval of the financial statements.

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

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

The Audit Committee meets at least three times a year. The Committee provides assurances to the Board on the adequacy of the University's risk management, compliance with its Prevent Duty, compliance with the conditions of its Tier 4 Sponsor Licence, value for money, and data quality and assurance arrangements. It is responsible for meeting with the external auditors to discuss audit findings, and with the internal auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. The Committee also receives and considers reports from the Regulator as they affect the University's business, and

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

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

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

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

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

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

The Board of Governors follows the principles of the CUC Higher Education Code of Governance (2018 Revision) in reviewing its own effectiveness.

## Remuneration of the Vice-Chancellor & Chief Executive

(extracted from the annual report of Remuneration Committee to the Board of Governors for the year ended 31 July 2019)

*Note: Remuneration Committee presents its report to the Board of Governors for the academic year ended 31 July 2019 and any significant issues up to and including the meeting of Remuneration Committee held 13 September 2019. In the reporting period, the Committee met on 28 September 2018, 26 April 2019 and 13 September 2019 and considers the pay and performance of the Senior Post Holders. The Vice-Chancellor is not a member of this Committee.*

### University Operating Context

Based in the Tees Valley, the University is one of the most disadvantaged areas in the country; 35 wards (out of 99) are in the most deprived wards in the country. The University was founded with a mission to transform lives and economies and this commitment to developing skilled, work-ready graduates continues to underpin its corporate strategies, particularly to support individuals from under-represented groups. As an 'anchor institution', the University continues to play a leading role in widening participation both regionally and nationally. In the academic year ended 31 July 2019, 80% of the University's students were from a widening participation background and 73% were from the North East region.

In addition, the University has an international focus with a global network of partnerships, attracting high calibre students and staff from across the world and engages in collaborative research, centred around five Grand Challenge themes that are also aligned to the UK's Industrial Strategy.

The University's current corporate strategy, Teesside 2020, was set by the current Vice-Chancellor & Chief Executive following his arrival at the University in 2015, in the context of the above. Stretching targets were set across a 5-year period to ensure the University is able to deliver on its mission and each year sees significant progress towards those key targets.

In 2018/19, the Vice-Chancellor led a University that:

- > had a turnover in excess of £145m
- > invested over £131m in its campuses in the last five years
- > has over 18,500 students
- > employs more than 2,300 staff
- > maintained TEF Silver
- > was ranked 20th for 'teaching quality' and 35th for 'Graduate Prospects' in the *Times and Sunday Times Good University Guide 2020*
- > worked with a total of 259 Tees Valley businesses, through innovation, leadership and management and scale-up and growth initiatives, to support regional business creation and development
- > as a driver of powerful and multi-level university-business engagement, has formally established 15 strategic partnerships over the last three years, including in 2018/19 with CPI, County Durham and Darlington NHS Foundation Trust, Fujifilm Diosynth Technologies, Cubic Transportation Systems, Learning Curve Group, and the Ministry of Defence
- > over the past few years has provided business support to its graduates resulting in the launch of over 545 new businesses and creating over 840 new jobs
- > opened a new Business School as a strategic vehicle for the enhancement of local skills and the development of a productive entrepreneurial ecosystem

- > completed and opened the National Horizons Centre, a significant development for the bioscience sector
- > commenced work on a new Student Life building intended to revolutionise the way students engage with the University
- > saw its approach to digital/future facing learning recognised in the annual Educate North Awards
- > attained the Athena Swan Charter, reinforcing the University's commitment to advancing the careers of women in science, technology, engineering, maths and medicine
- > was rated as Outstanding by Ofsted for its Higher (level 5) Apprenticeship provision
- > was rated as top in the country for overall student satisfaction in the International Student Barometer
- > saw PhD completions increase by 21%
- > was designated by Research England as a University Enterprise Zone
- > achieved 100% of financial KPIs.

(further highlighted in the University's annual report and financial statements for the year ended 31 July 2019)

As a result of the context within which the University operates, the University faces head on the challenges around student completion and continuation. The introduction of foundation years to programmes is an important part of the University's portfolio, but does mean retention is more challenging. Despite this, the University continues to explore alternative methods of teaching and learning, for example the future facing (digital) learning project, to support the needs of its diverse study body and drive success in these areas.

### Remuneration (Pay) and Performance

**Approach** – when determining any increases to basic salary or whether to award performance payments to the Senior Post Holders, consideration is given to the Higher Education Senior Staff Remuneration Code and the University's Senior Management Annual Salary Review and Performance Payment Scheme.

In addition, Remuneration Committee receives the latest University Key Performance Indicators for the current year (in this case, to period 11), along with individual performance assessments of each Senior Post Holder. The Chairman also meets with the Students' Union representatives on the Board of Governors, prior to completing the performance review documentation for the Vice-Chancellor & Chief Executive, and this discussion helps to inform the final performance assessment by the Remuneration Committee.

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

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

**Principles of Remuneration (Pay)** – when determining the level of remuneration for Senior Post Holders, in addition to the principles in the Higher Education Senior Staff Remuneration Code, there are three further elements that are taken into consideration:

- the level of National Pay Award for all staff at Grade 9 and below. The Remuneration Committee is determined that any pay award for the Senior Post Holders will be the same as the National Pay Award for all staff, unless there are exceptional circumstances to warrant otherwise (which has not been the case for the past two years) – the option to award a one-off performance payment (as noted above) then recognises individual high performance of a Senior Post Holder where the relevant thresholds of the scheme are met
- comparison with sector pay to ensure retention - as a member of the University Alliance group, the University benchmarks senior management salaries against the median to upper quartile for equivalent staff base pay in the Alliance group of universities submitted to the UCEA Senior Staff Remuneration Survey, unless there is good reason to do otherwise (market forces or non-comparable portfolios, for example)
- maintenance of internal relativities i.e. significant permanent change to responsibilities.

### Remuneration (Pay) and Performance

#### Year ended 31 July 2019:

Applying the above approach and principles, at the meeting on 28 September 2018 Remuneration Committee determined to award a 2% increase to the basic salary of the Vice-Chancellor, being the figure put forward in the national negotiations for the National Pay Award for all staff with effect from 1 August 2018.

At the meeting on 13 September 2019, Remuneration Committee determined to make a performance payment of 15% of basic salary for the Vice-Chancellor for the year ended 31 July 2019, acknowledging the strong performance of the University during that financial year, as set out above, under the effective leadership and direction of the Vice-Chancellor towards achievement of the strategic KPIs. The sustained improvement in performance of the University since the Vice-Chancellor's appointment was recognised and the Committee noted that the Vice-Chancellor's objectives for 2018-19 had either been completed successfully or seen significant progress.

The breakdown of emoluments of the Vice-Chancellor for the year ended 31 July 2019 are as follows:

	2018-19 £	2017-18 £
Salary	229,417	224,919
Performance Related Pay	34,413	33,738
Private Healthcare*	3,182	3,462
Subtotal	267,012	262,119
Pension Costs	45,833	42,280
Total	312,845	304,399

\* Private healthcare is a benefit available to the University Executive Team.

#### Year commencing 1 August 2019:

Applying the above approach and principles, Remuneration Committee, at its meeting on 13 September 2019, determined to award a 1.8% increase to the basic salary of the Vice-Chancellor, being the current figure proposed for the National Pay Award, with effect from 1 August 2019.

### Pay Multiples – year ended 31 July 2019

The median salary across all staffing groups (including atypical (generally, staff who work on a very flexible non-permanent basis, often only for a small amount of time during the year) but excluding agency staff) is £32,236 per annum (2018: £32,548 per annum). The Vice-Chancellor's basic salary is 7.1 times (2018: 6.9 times) greater than the median pay of staff, where the median is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The Vice-Chancellor's total remuneration is 8.3 times (2018: 8.4 times) the median total remuneration of staff.

*Note: The median salary across all staffing groups for the year ended 31 July 2018 included agency staff. However, for the year ended 31 July 2019, the University has adopted the Office for Students Accounts Direction, issued on 25 October 2019, relating to the disclosure of median salary information, whereby agency staff are now excluded from the calculation. By comparison, if agency staff are excluded for the year ended 31 July 2018 the median salary would have been £33,518. On this basis the Vice-Chancellor's basic salary for the year ended 31 July 2018 was 6.7 times greater than the median pay of staff and the Vice-Chancellor's total remuneration was 7.7 times the median total remuneration of staff.*

## Internal control

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

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

The system of internal control is based on a continuous process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process, which accords with the OfS guidance, has been in place for the year ended 31 July 2019 and up to the date of approval of the financial statements.

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

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

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

- the University has adopted a range of policies and procedures to reflect risk management principles
- a key element of the University's approach to risk management is clear reporting of the Risk Management Policy, risk register, and the processes in place to manage and mitigate risk
- a Risk Management Framework is in place and reviewed annually. This forms the basis of detailed risk identification and management
- the University Executive Team oversees risk management across the University
- the University has a formal and structured Risk Management Policy to ensure that key risks are identified and managed consistently across the University
- the Risk Management Policy is reviewed at least annually
- a strategic risk register which is closely aligned to the University's strategic objectives, is in place and is reviewed regularly by the University Executive Team, the Audit Committee and the Board of Governors
- the strategic risk register is supported by risk management statements in the development plans of each School and Service, covering both corporate and operational risks
- the strategic and operational risk registers are regularly updated and include mitigating and planned actions to reduce the impact and likelihood of all key risks
- major risks included in the operational risk registers are considered by the University Executive Team for escalation to the strategic risk register
- responsibility for monitoring each key risk has been assigned to senior officers of the University with the Chief Operating Officer and the Director of Finance & Commercial Development having day-to-day responsibility for risk management within the University
- the Audit Committee approves the Internal Auditors' Annual Plan and receives regular reports from the Internal Auditors, which include recommendations for improvement
- the Audit Committee receives regular reports on the University's Assurance Framework ('3 Lines of Defence' model) and the Risk and Assurance activities since the previous meeting
- the Board of Governors receives regular reports from the Chair of the Audit Committee concerning internal control and it requires regular reports from senior managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects
- the Board of Governors' review of the effectiveness of the system of internal control is informed by the Internal Auditors who operate a firm wide internal audit methodology which is aligned to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. The most recent Internal Audit annual opinion concluded that the University's arrangements for governance, risk management, and control, and value for money arrangements were 'generally satisfactory with some improvements required'.

## Principal risks

The key strategic risks currently facing the University and the mitigation in place are summarised in the table below.

Strategic Risk	Issue	Mitigation
Inability to achieve student enrolment targets	A number of factors, including changing demographics, increasing competition from both traditional providers and new entrants, removal of the student number control and Brexit have made student recruitment more challenging.	Executive oversight, monitoring and responsibility for the application cycle and Recruitment and Marketing Strategy. Monthly monitoring and reporting of student numbers. Continual review of relevant processes and bursary and scholarship offers. Development of on-line, part-time and higher degree apprenticeship courses.
Adverse funding changes as a result of changes in Government policy/regulations relating to student fees and teaching, enterprise and research income	Failure to plan for the impact of policy changes in recent years, combined with the introduction of TEF, the obligations imposed on higher education institutions by the Office for Students and Research England and the uncertainty created by the Augar Review could result in the University facing financial loss or a missed opportunity.	Senior managers are active members of a wide-range of organisations representing UK universities in informing, negotiating and lobbying government. Teesside 2020 and Teesside 2025 are both designed to equip the University to thrive in the changing Higher Education environment in which we operate. Horizon-scanning used to identify upcoming changes and required actions implemented quickly. Continued robust financial management and scenario planning.
Failure to maintain financial resilience, sustainability and investment capability in the context of cost base pressures, including increasing pension costs and income growth challenges	Factors such as the volatility of student recruitment, potential changes to the funding regime, increases in employer pension contributions and pay inflation could negatively impact the financial sustainability of the University.	Robust financial strategy that delivers financial resilience, sustainability and investment capability. The University has a robust Planning and Performance Model in place to ensure delivery of the Resources and Business Management Strategy with costs and resources being robustly managed. Multi-variate stress testing is applied to budgets and financial forecasts to assess the potential impact of risk factors, including the outcomes of the Post 18 Review, employer pension contribution increases and achievement of student recruitment targets, on the financial performance of the University.
Failure to implement and operate effective controls to provide assurance of cyber and information security resulting in the inability to avoid breaches of data and university hardware and software systems	Any serious systemic failure or breach of the University's IT infrastructure or data would result in an adverse student experience and could have significant financial and reputational consequences for the University.	Robust processes and controls over all data (student, staff and financial) and underpinning systems. Mandatory IT Security and Data Protection training for all staff with robust follow up. Regular review, updating and continuous development of the range of tools, disaster recovery plans, resilience and capacity in place.
The impact of the UK ceasing to be a member of the European Union (Brexit) with a no-deal	Brexit is likely to impact the University in a number of areas including staff/student recruitment, loss of European funding grants, loss of student placement opportunities and general uncertainty.	We have provided reassurance and support to our EU staff to clarify the potential employment and residency implications of Brexit. We have contacted our key suppliers to confirm the Brexit strategies they have in place to ensure continuity of service to the University. The Board is provided with regular updates.

# Responsibilities of the Board of Governors

## Statement of primary responsibilities

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

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

It also identifies the Board of Governors' principal responsibilities in complying with the CUC Higher Education Code of Governance (2018 Revision), which are set out below.

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

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

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



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

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

The Board is required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Terms and Conditions of Funding further require the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and in accordance with the requirements of the Accounts Direction issued by the OfS other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction dated 25 October 2019 issued by the Office for Students. The Board is required to prepare financial statements which give a true and fair view of the state of affairs of the Group and parent University and of their income and expenditure, gains and losses, and changes in reserves for that period.

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

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

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

The Board of Governors is also responsible for ensuring that:

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

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

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

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



Alastair MacColl  
Chairman and Pro-Chancellor



Professor Paul Croney  
Vice-Chancellor and Chief Executive

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Teesside University ("the University") for the year ended 31 July 2019 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Statement of Consolidated Cash Flows, and related notes, including the accounting policies in the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*, and
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students other than where the University has applied the allowance to early adopt the requirements of paragraph 12(d) of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

### Basis for opinion

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

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Board, such as the recoverability of debtors, the actuarial assumptions in respect of defined benefit pension schemes and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for the University and this is particularly the case in relation to Brexit.

### Going concern

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least 12 months from the date of approval of the financial statements. In our evaluation of the Board of Governors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

## Other information

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

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

## Board of Governors' responsibilities

As explained more fully in their statement set out on page 41, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

In our opinion, in all material respects:

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

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

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



Rashpal Khangura  
for and on behalf of KPMG LLP, Statutory Auditor

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

20 November 2019



# FINANCIAL STATEMENTS

## Statement of accounting policies

### Basis of preparation

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

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

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

### Basis of consolidation

The consolidated financial statements include the University, all its trading subsidiaries and the Friends of the University of Teesside Trust for the financial year to 31 July 2019. Intra-group transactions are eliminated on consolidation.

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

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

### Income recognition

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

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

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

### Grant funding

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

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

### Donations and endowments

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

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

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

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

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

### Capital grants

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

## Taxation

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

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

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

## Employment benefits

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

## Operating leases

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

## Foreign currency

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

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

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

## Exceptional Items

Exceptional items are defined as those items, that in management's judgement are material items which derive from events or transactions that do not fall within the ordinary activities of the Group, are not expected to recur and which individually, or, if of a similar type, in aggregate should be disclosed separately by virtue of their size and incidence.

## Fixed assets

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

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

### Land and buildings

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

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

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

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

The useful lives are as follows:

Structure	15 years - 70 years
Mechanical	25 years - 35 years
Fixed equipment and furnishings	10 years - 20 years

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

## Equipment

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

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

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

## Heritage assets

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

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

## Investment properties

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

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

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

## Investments

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

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

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

## Stock

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

## Borrowing costs

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

## Cash and cash equivalents

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

## Intra-group transactions

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

## Provisions

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

## Accounting for retirement benefits

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

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

## Defined benefit retirement plan

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

## Financial instruments

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

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

### Investments

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

### Short-term debtors and creditors

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

### Loan notes

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

## Reserves

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

## Significant estimates and judgements

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

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

### Estimates for the accounting for employee benefits

FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets for certain of the University's defined benefit plans. These are mainly actuarial assumptions such as discount rate, mortality rates and expected inflation rates. Differences arising from actual experience or future changes in assumptions will be reflected in future years. The key assumptions made for 2019 are documented in note 26.

### Valuation of investment property

The University holds two investment properties. The valuations of the University's investment properties are undertaken on an annual basis. Due to the nature of valuations there is an element of subjectivity and judgement involved in these valuations.

### Recoverability of debtors

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



# Consolidated and University statement of comprehensive income and expenditure

## Year Ended 31 July 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Income</b>					
Tuition fees and education contracts	1	110,749	110,460	108,155	107,865
Funding grants	2	15,448	15,448	15,108	15,108
Research grants and contracts	3	3,244	3,244	2,445	2,405
Other income	4	15,061	15,305	14,971	19,100
Investment income	5	395	384	318	310
Donations and endowments	6	157	157	182	182
<b>Total income</b>		<b>145,054</b>	<b>144,998</b>	<b>141,179</b>	<b>144,970</b>
<b>Expenditure</b>					
Total staff costs	7	90,389	90,161	81,686	81,521
Analysed as:					
Staff costs (excluding exceptional pension costs)		86,537	86,309	81,686	81,521
Exceptional pension costs		3,852	3,852	-	-
Total staff costs		90,389	90,161	81,686	81,521
Other operating expenses		39,136	39,303	40,411	44,398
Depreciation	11	10,975	10,974	9,272	9,272
Interest and other finance costs	8	1,262	1,262	1,133	1,133
<b>Total expenditure</b>	9	<b>141,762</b>	<b>141,700</b>	<b>132,502</b>	<b>136,324</b>
Surplus before other gains		3,292	3,298	8,677	8,646
Gain/(loss) on revaluation of investment properties	13	15	15	(60)	(60)
Loss on investments		(5)	(5)	-	-
Surplus before tax		3,302	3,308	8,617	8,586
Taxation	10	-	-	-	-
<b>Surplus for the year after tax</b>		<b>3,302</b>	<b>3,308</b>	<b>8,617</b>	<b>8,586</b>
Appreciation on endowment asset investments		8	8	7	7
Actuarial (loss)/gain in respect of pension schemes	26	(19,938)	(19,938)	2,570	2,570
<b>Total comprehensive (expenditure)/ income for the year</b>		<b>(16,628)</b>	<b>(16,622)</b>	<b>11,194</b>	<b>11,163</b>
<b>Represented by</b>					
Endowment comprehensive (expenditure)/ income for the year		(5)	(5)	9	9
Unrestricted comprehensive (expenditure)/ income for the year		(16,623)	(16,617)	11,185	11,154
		<b>(16,628)</b>	<b>(16,622)</b>	<b>11,194</b>	<b>11,163</b>

All items of income and expenditure relate to continuing activities.

# Consolidated and University statement of changes in reserves

**Year Ended 31 July 2019**

## Consolidated

	Income and expenditure account		Revaluation reserve	Total
	Endowment £000	Unrestricted £000	£000	£000
<b>Balance at 1 August 2017</b>	279	110,442	20,736	131,457
Surplus from the income and expenditure statement	2	8,615	–	8,617
Other comprehensive income	7	2,570	–	2,577
Transfers between revaluation and income and expenditure reserve	–	632	(632)	–
<b>Total comprehensive income/ (expenditure) for the year</b>	9	11,817	(632)	11,194
<b>Balance at 31 July 2018</b>	288	122,259	20,104	142,651
<b>Balance at 1 August 2018</b>	288	122,259	20,104	142,651
(Deficit)/surplus from the income and expenditure statement	(12)	3,314	–	3,302
Other comprehensive income/(expenditure)	8	(19,938)	–	(19,930)
Transfers between revaluation and income and expenditure reserve	–	632	(632)	–
<b>Total comprehensive expenditure for the year</b>	(4)	(15,992)	(632)	(16,628)
<b>Balance at 31 July 2019</b>	284	106,267	19,472	126,023

# Consolidated and University statement of changes in reserves (continued)

**Year Ended 31 July 2019**

## University

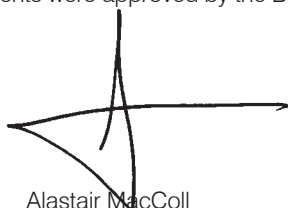
	Income and expenditure reserve		Revaluation reserve	Total
	Endowment £000	Unrestricted £000	£000	£000
<b>Balance at 1 August 2017</b>	279	109,846	20,736	130,861
Surplus from the income and expenditure statement	2	8,584	–	8,586
Other comprehensive income	7	2,570	–	2,577
Transfers between revaluation and income and expenditure reserve	–	632	(632)	–
<b>Total comprehensive income/ (expenditure) for the year</b>	9	11,786	(632)	11,163
<b>Balance at 31 July 2018</b>	288	121,632	20,104	142,024
<b>Balance at 1 August 2018</b>	288	121,632	20,104	142,024
(Deficit)/surplus from the income and expenditure statement	(12)	3,320	–	3,308
Other comprehensive income/(expenditure)	8	(19,938)	–	(19,930)
Transfers between revaluation and income and expenditure reserve	–	632	(632)	–
<b>Total comprehensive expenditure for the year</b>	(4)	(15,986)	(632)	(16,622)
<b>Balance at 31 July 2019</b>	284	105,646	19,472	125,402

# Consolidated and University balance sheet

As at 31 July 2019

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Non-current assets</b>					
Fixed assets	11	200,819	201,063	173,140	173,383
Heritage assets	12	537	537	508	508
Investment properties	13	2,616	2,616	2,090	2,090
Non-current investments	14	242	271	240	269
		<b>204,214</b>	<b>204,487</b>	175,978	176,250
<b>Current assets</b>					
Stock		69	67	68	68
Trade and other receivables	15	23,565	24,131	15,422	19,752
Current investments	16	28,000	28,000	47,000	47,000
Cash and cash equivalents		15,300	14,455	4,702	4,074
		<b>66,934</b>	<b>66,653</b>	67,192	70,894
Less: Creditors – amounts falling due within one year	17	(38,769)	(39,382)	(31,820)	(36,421)
<b>Net current assets</b>		<b>28,165</b>	<b>27,271</b>	35,372	34,473
<b>Total assets less current liabilities</b>					
		<b>232,379</b>	<b>231,758</b>	211,350	210,723
Creditors – amounts falling due after more than one year	18	(31,086)	(31,086)	(22,306)	(22,306)
Provisions for liabilities	20	(75,270)	(75,270)	(46,393)	(46,393)
<b>Total net assets</b>		<b>126,023</b>	<b>125,402</b>	142,651	142,024
<b>Restricted reserves</b>					
Income and expenditure reserve – endowment reserves	21	284	284	288	288
<b>Unrestricted reserves</b>					
Income and expenditure reserve – unrestricted		106,267	105,646	122,259	121,632
Revaluation reserve		19,472	19,472	20,104	20,104
<b>Total reserves</b>		<b>126,023</b>	<b>125,402</b>	142,651	142,024

The financial statements were approved by the Board of Governors on 22 November 2019 and were signed on its behalf on that date by:



Alastair MacColl  
Chairman and Pro-Chancellor



Professor Paul Croney  
Vice-Chancellor and Chief Executive

# Statement of consolidated cash flows

## Year ended 31 July 2019

	Notes	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
<b>Cash flow from operating activities</b>			
Surplus for the year		3,302	8,617
<b>Adjustment for non-cash items</b>			
Depreciation	11	10,975	9,272
Revaluation of investment property	13	(15)	60
Loss on sale of fixed assets		32	9
Loss on investments		5	–
(Increase)/decrease in stock		(1)	8
Increase in debtors		(7,619)	(3,253)
Increase in creditors		4,662	2,333
Increase/(decrease) in pension provision		556	(594)
Excess of pension costs over contributions paid		8,383	4,457
Receipt of donated heritage assets		(24)	(74)
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(390)	(314)
Interest payable	8	26	22
Endowment income	5	(5)	(4)
Capital grant income		(2,461)	(1,429)
<b>Net cash inflow from operating activities</b>		<b>17,426</b>	<b>19,110</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of fixed assets		–	8
Capital grant receipts		11,668	8,723
Disposal of non-current asset investments		63	19
Withdrawal/(increase) of deposits		19,000	(23,000)
Investment income		458	227
Payments made to acquire fixed assets		(37,772)	(23,792)
Payments made to acquire heritage assets		(5)	(148)
Payments made to acquire investment property		(511)	–
New non-current asset investments		(62)	(22)
		<b>(7,161)</b>	<b>(37,985)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(26)	(20)
Endowment cash received		5	4
New unsecured loan		680	–
Repayments of amounts borrowed		(326)	(100)
		<b>333</b>	<b>(116)</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>10,598</b>	<b>(18,991)</b>
Cash and cash equivalents at beginning of the year		4,702	23,693
Cash and cash equivalents at end of the year		<b>15,300</b>	<b>4,702</b>

# Notes to the financial statements

## 1 Tuition fees and education contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	79,840	79,840	74,579	74,579
International students	11,718	11,728	7,938	7,938
Part-time students	8,410	8,410	8,644	8,644
Education contracts	10,781	10,482	16,994	16,704
	<b>110,749</b>	<b>110,460</b>	108,155	107,865

## 2 Funding grants

	Year ended 31 July 2019	Year ended 31 July 2018
	Consolidated and University £000	Consolidated and University £000
Recurrent grant received from Regulator	12,125	11,730
<b>Specific grants</b>		
Higher Education Innovation Fund	1,290	1,201
Degree Apprenticeships Development Fund	–	244
National Collaborative Outreach Programme	240	219
Connecting Capability Fund	179	92
Catalyst Fund	114	74
Capital Grants	1,461	1,472
Other	39	76
	<b>15,448</b>	15,108

## 3 Research grants and contracts

	Year ended 31 July 2019	Year ended 31 July 2018	
	Consolidated and University £000	Consolidated £000	University £000
Research Councils	292	353	353
UK-based charities	314	239	239
UK central government	1,250	699	699
UK Health Service	319	216	216
European Commission	694	611	611
Other grants and contracts	375	327	287
	<b>3,244</b>	2,445	2,405

#### 4 Other income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Residences, catering and conferences	4,947	4,947	5,147	5,147
Other revenue grants	4,743	4,743	4,470	4,470
Other capital grants	1,062	1,062	572	572
Other income	4,309	4,553	4,782	8,911
	<b>15,061</b>	<b>15,305</b>	<b>14,971</b>	<b>19,100</b>

#### 5 Investment income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Investment income on endowments	5	5	4	4
Other investment income	390	379	314	306
	<b>395</b>	<b>384</b>	<b>318</b>	<b>310</b>

#### 6 Donations and endowments

	Year ended 31 July 2019 Consolidated and University £000	Year ended 31 July 2018 Consolidated and University £000
Donations	157	182

#### 7 Staff costs

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Salaries	64,138	63,910	61,755	61,590
Social security costs	6,777	6,777	6,529	6,529
Movement on USS Provision	483	483	(325)	(325)
Movement on enhanced pensions provision	336	336	(16)	(16)
Other pension costs (note 26)	16,657	16,657	12,796	12,796
Restructuring costs	1,998	1,998	947	947
	<b>90,389</b>	<b>90,161</b>	<b>81,686</b>	<b>81,521</b>

Other pension costs include an exceptional charge of £3,852,000 (2018: £nil) in respect of the potential impacts of the McCloud/Sargeant judgement (£3,157,000) and the guaranteed minimum pension equalisation (£695,000) on the Teesside Pension Fund (TPF), of which the University is a member.

The McCloud/Sargeant judgement found that transitional protection arrangements put in place when the firefighters' and judges' schemes were reformed were age discriminatory. The government has committed to seeking a remedy across all public sector schemes which included similar transitional arrangements, which includes the Local Government Pension Schemes, of which the TPF is part of.

The High Court ruled that equalisation for the effects of unequal guaranteed minimum pensions (GMPs) is required. Whilst public sector schemes have a method to equalise GMPs the reforms made to the State Pension system in April 2016 removed the facility to fully index the pension.

#### Compensation for loss of office

The number of staff who received compensation for loss of office which totalled £1,998,000 was 71 (year ended 31 July 2018: £947,000 and 29 staff).

## Emoluments of the Vice-Chancellor

	Year ended 31 July 2019 Consolidated and University £	Year ended 31 July 2018 Consolidated and University £
Salary	229,417	224,919
Performance related pay	34,413	33,738
Private healthcare	3,182	3,462
	<b>267,012</b>	<b>262,119</b>
Pension costs	45,833	42,280
	<b>312,845</b>	<b>304,399</b>

The University's pension contributions to the Teachers' Pension Scheme on behalf of the Vice-Chancellor are paid at the same rates as for other academic staff. Private healthcare is a benefit available to the University Executive Team.

For the year ended 31 July 2019 the Vice-Chancellor received an annual cost of living award of 2.0% which was the same as all other members of staff.

The median salary across all staffing groups is £32,236 per annum (2018: £32,548 per annum). The Vice-Chancellor's basic salary is 7.1 times (2018: 6.9 times) greater than the median pay of staff, where the median is calculated on a full-time equivalent basis for the salaries paid by the University to its staff. The Vice-Chancellor's total remuneration is 8.3 times (2018: 8.4 times) the median total remuneration of staff.

The median salary across all staffing groups for the year ended 31 July 2018 included agency staff. However, for the year ended 31 July 2019, the University has adopted the Office for Students Accounts Direction, issued on 25 October 2019, relating to the disclosure of median salary information, whereby agency staff are now excluded from the calculation. By comparison, if agency staff are excluded for the year ended 31 July 2018 the median salary would have been £33,518. On this basis the Vice-Chancellor's basic salary for the year ended 31 July 2018 was 6.7 times greater than the median pay of staff and the Vice-Chancellor's total remuneration was 7.7 times the median total remuneration of staff.

### Basic annual salary of other higher-paid staff including private healthcare and excluding employer's pension contributions

	Year ended 31 July 2019 Consolidated and University number	Year ended 31 July 2018 Consolidated and University number
£105,000 - £109,999	4	6
£110,000 - £114,999	1	–
£125,000 - £129,999	–	4
£130,000 - £134,999	2	–
£140,000 - £144,999	2	–
£165,000 - £169,999	–	1
£170,000 - £174,999	1	–

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

	Year ended 31 July 2019 Consolidated and University number		Year ended 31 July 2018 Consolidated and University number	
	Consolidated number	University number	Consolidated number	University number
Academic and research	749	749	725	725
Administrative and technical	782	775	767	760
Other	251	250	242	242
	<b>1,782</b>	<b>1,774</b>	<b>1,734</b>	<b>1,727</b>



## Key management personnel

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

	<b>Year ended 31 July 2019</b> <b>Consolidated and University</b> <b>£000</b>	<b>Year ended 31 July 2018</b> <b>Consolidated and University</b> <b>£000</b>
Key management personnel compensation	1,622	1,565

## 8 Interest and other finance costs

	<b>Year ended 31 July 2019</b> <b>Consolidated and University</b> <b>£000</b>	<b>Year ended 31 July 2018</b> <b>Consolidated and University</b> <b>£000</b>
Loan interest	26	22
Net charge on pension schemes	1,236	1,111
	<b>1,262</b>	<b>1,133</b>

## 9 Analysis of total expenditure by activity

	<b>Year ended 31 July 2019</b>		<b>Year ended 31 July 2018</b>	
	<b>Consolidated</b>	<b>University</b>	<b>Consolidated</b>	<b>University</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Academic departments	58,967	58,967	61,554	61,554
Academic services	28,273	28,260	24,168	24,143
Research grants and contracts	3,427	3,427	2,631	2,594
Residences, catering and conferences	3,677	3,652	3,752	3,752
Premises	14,982	14,982	14,680	14,680
Administration	18,040	18,040	17,157	17,157
Other	14,396	14,372	8,560	12,444
	<b>141,762</b>	<b>141,700</b>	<b>132,502</b>	<b>136,324</b>

## Other operating expenses include

External auditor's remuneration in respect of audit services	57	49	53	45
External auditor's remuneration in respect of non-audit services	91	86	173	165

Of the total fees related to non-audit services incurred in the previous year £152,000 relate to work which was subject to competitive tender. These services were also considered by Audit Committee with due consideration for any relevant threats and safeguards.

## 10 Taxation

### Group and University

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

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Current tax</b>				
UK Corporation tax of 19% on surplus for the year	–	–	–	–
<b>Factors affecting the tax charge</b>				
Surplus before taxation	3,302	3,308	8,617	8,586
Surplus multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	627	629	1,637	1,631
Surplus falling within charitable exemption	(627)	(629)	(1,637)	(1,631)
<b>Current tax charge</b>	–	–	–	–

## 11 Fixed assets

	Freehold land £000	Freehold buildings £000	Assets in the course of construction £000	Vehicles £000	Equipment and furniture £000	Total £000
<b>Consolidated</b>						
<b>Cost</b>						
At 1 August 2018	13,837	196,263	12,460	229	34,110	256,899
Additions in year	–	2,137	28,274	–	8,275	38,686
Transfers in year	774	24,836	(26,240)	–	630	–
Written off in year	–	–	–	(26)	(709)	(735)
<b>At 31 July 2019</b>	14,611	223,236	14,494	203	42,306	294,850
<b>Consisting of: Valuation as at:</b>						
31 July 1997	–	45,082	–	–	–	45,082
31 July 1998	–	1,999	–	–	–	1,999
31 July 2014	13,830	–	–	–	–	13,830
Cost	781	176,155	14,494	203	42,306	233,939
	14,611	223,236	14,494	203	42,306	294,850
<b>Depreciation</b>						
At 1 August 2018	–	61,899	–	152	21,708	83,759
Charge for the year	–	7,425	–	24	3,526	10,975
Written off in year	–	–	–	(19)	(684)	(703)
<b>At 31 July 2019</b>	–	69,324	–	157	24,550	94,031
<b>Net Book Value</b>						
<b>At 31 July 2019</b>	14,611	153,912	14,494	46	17,756	200,819
At 31 July 2018	13,837	134,364	12,460	77	12,402	173,140

## 11 Fixed assets (continued)

	Freehold land	Freehold buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
University	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 1 August 2018	13,837	196,626	12,460	229	32,755	255,907
Additions in year	–	2,137	28,274	–	8,275	38,686
Transfers in year	774	24,836	(26,240)	–	630	–
Written off in year	–	–	–	(26)	(709)	(735)
<b>At 31 July 2019</b>	<b>14,611</b>	<b>223,599</b>	<b>14,494</b>	<b>203</b>	<b>40,951</b>	<b>293,858</b>
<b>Consisting of: Valuation as at:</b>						
31 July 1997	–	45,082	–	–	–	45,082
31 July 1998	–	1,999	–	–	–	1,999
31 July 2014	13,830	–	–	–	–	13,830
Cost	781	176,518	14,494	203	40,951	232,947
	14,611	223,599	14,494	203	40,951	293,858
<b>Depreciation</b>						
At 1 August 2018	–	61,899	–	152	20,473	82,524
Charge for the year	–	7,425	–	24	3,525	10,974
Written off in year	–	–	–	(19)	(684)	(703)
<b>At 31 July 2019</b>	<b>–</b>	<b>69,324</b>	<b>–</b>	<b>157</b>	<b>23,314</b>	<b>92,795</b>
<b>Net Book Value</b>						
<b>At 31 July 2019</b>	<b>14,611</b>	<b>154,275</b>	<b>14,494</b>	<b>46</b>	<b>17,637</b>	<b>201,063</b>
At 31 July 2018	13,837	134,727	12,460	77	12,282	173,383

### Asset revaluations

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

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

	31 July 2019		31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Cost	205,878	206,182	178,131	178,435
Accumulated depreciation and impairment	(56,127)	(56,127)	(49,334)	(49,334)
	<b>149,751</b>	<b>150,055</b>	<b>128,797</b>	<b>129,101</b>

## 12 Heritage assets

### Consolidated and University £000

Cost at 1 August 2018	508
Additions in year	29
<b>Cost at 31 July 2019</b>	<b>537</b>

Heritage assets comprise works of art acquired by MIMA.

## 13 Investment properties

### Consolidated and University £000

Valuation as at 1 August 2018	2,090
Additions in year	511
Surplus on revaluation	15
<b>Valuation as at 31 July 2019</b>	<b>2,616</b>

The investment property held at 1 August 2018 was assessed by an independent valuer. In assessing the value of the property as at 31 July 2019, various factors were considered that could affect the value reported in the accounts including the purpose of the property, the level of occupancy, economic factors and the climate of the property market in general.

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

The addition in the year represents the cost of this property. The cost is considered, by management, to be an accurate measure of that property's value.

## 14 Non-current investments

	Other Fixed Asset Investments		
	Cost £000	Valuation £000	Total £000
<b>Consolidated</b>			
At 1 August 2018	30	210	240
Additions in year	–	62	62
Disposals in year	–	(68)	(68)
Appreciation	–	8	8
<b>At 31 July 2019</b>	<b>30</b>	<b>212</b>	<b>242</b>

	Other Fixed Asset Investments		Subsidiary companies £000	Total £000
	Cost £000	Valuation £000		
<b>University</b>				
At 1 August 2018	30	210	29	269
Additions in year	–	62	–	62
Disposals in year	–	(68)	–	(68)
Appreciation	–	8	–	8
<b>At 31 July 2019</b>	<b>30</b>	<b>212</b>	<b>29</b>	<b>271</b>

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

Subsidiary company	Nature of business	Shareholding
University of Teesside Enterprises Limited (Registered in England and Wales)	Commercial activities, enterprise, trading and liaison with industry and commerce.	Limited by guarantee
Teesnap Limited (Registered in England and Wales)	To provide and promote educational and training services relating to nursing, midwifery and associated professions allied to medicine, dental hygiene, dental therapy and to provide management services related to the aforementioned.	100% Ordinary Shares (Issued share capital – £100)
Teesside (Beijing) Education Consulting Co Ltd (Wholly foreign-owned enterprise of the People's Republic of China)	Provision of consultation services and foreign communication and exchange in relation to education.	100% registered capital (Registered capital RMB 300,000)
Teesside Sports Injury Centre Limited (Registered in England and Wales)	Treatment of sports-related injuries.	100% Ordinary Shares (Issued share capital – £100)
TU Online Limited (Registered in England and Wales)	Delivery of the University's online learning course content	100% Ordinary Shares (Issued share capital – £1)

## 14 Non-current investments (continued)

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. The current status of this trust is dormant.

Other fixed asset investments at cost consist of:

### Consolidated and University £000

At 31 July 2019 and 31 July 2018

CVCP Properties plc	30
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The University is a shareholder in CVCP Properties plc together with other university members of Universities UK. CVCP Properties plc's principal asset is Universities UK's headquarters, Woburn House. The total issued ordinary share capital of CVCP Properties plc is £4.25m.

Other fixed asset investments at valuation comprise:

	31 July 2019 Consolidated and University £000	31 July 2018 Consolidated and University £000
Equities and bonds	182	180
Cash held within investment portfolio	30	30
	<b>212</b>	210

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

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

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
Chemicam Limited	Ordinary shares	20%	Visible wavelength hyperspectral imaging for the positive identification of blood
Teegene Biotech Limited	Ordinary shares	20%	Extraction of high-value chemicals from algae, plants to micro-organisms for production of biosurfactants
Hot Coatings Limited	Ordinary shares	24%	Research and development of novel flexible thermally and electrically resistant coatings
Anasyst Limited	Ordinary shares	22%	Design and development of microfluidic devices for sophisticated fluid operations in miniaturised format
Dynamic Motion Detection Limited	Ordinary shares	24%	Development of exergaming technology, using a gaming system to incorporate force and resistance into game play, for health and sports training benefits

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

## 15 Trade and other receivables

	31 July 2019		31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year				
Trade receivables	11,446	8,946	6,404	5,189
Amounts due from subsidiary companies	–	3,777	–	6,936
Prepayments and accrued income	12,119	11,408	9,018	7,627
	<b>23,565</b>	<b>24,131</b>	15,422	19,752

## 16 Current investments

	31 July 2019	31 July 2018
	Consolidated and University £000	Consolidated and University £000
Short-term deposits	28,000	47,000

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

At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 1.02% (2018: 0.85%) and the remaining weighted average period for which the interest rate is fixed on these deposits was 206 days. The fair value of these deposits was not materially different from the book value.

## 17 Creditors – amounts falling due within one year

	31 July 2019		31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Secured loans	83	83	100	100
Other loans	227	227	–	–
Payments received on account	11,628	11,105	8,420	7,527
Trade payables	8,836	8,827	7,405	7,404
Social security and other taxation payable	1,856	1,852	1,853	1,851
Accruals and deferred income	16,139	16,075	14,042	13,954
Amounts due to subsidiary companies	–	1,213	–	5,585
	<b>38,769</b>	<b>39,382</b>	31,820	36,421

## 18 Creditors – amounts falling due after more than one year

	31 July 2019	31 July 2018
	Consolidated and University £000	Consolidated and University £000
Secured loans	–	83
Other loans	227	–
Deferred income – government capital grants	30,859	22,223
	<b>31,086</b>	22,306

## 19 Analysis of secured loans

	<b>31 July 2019</b> <b>Consolidated</b> <b>and University</b> <b>£000</b>	31 July 2018 Consolidated and University £000
Due within one year	83	100
Due between one and two years	–	83
<b>Total secured loans</b>	<b>83</b>	<b>183</b>

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

The University has a formal set-off arrangement with Lloyds Bank in respect of a loan facility. At 31 July 2019 the amount of the loan outstanding was £2,166,648 (31 July 2018: £2,708,000) with the equivalent amount being held on deposit by the bank. The interest rate charged on the loan is 0.25% above Bank of England Base Rate.

## 20 Provisions for liabilities

	<b>Defined benefit</b> <b>obligation</b> <b>£000</b>	<b>Enhanced</b> <b>pensions</b> <b>£000</b>	<b>Obligation to</b> <b>fund deficit on</b> <b>USS pension</b> <b>£000</b>	<b>Total</b> <b>£000</b>
<b>Consolidated and University</b>				
At 1 August 2018	41,634	4,602	157	46,393
Utilised in year	–	(426)	(10)	(436)
Charged to the Statement of Comprehensive Income	28,321	496	496	29,313
<b>At 31 July 2019</b>	<b>69,955</b>	<b>4,672</b>	<b>643</b>	<b>75,270</b>

### Defined benefit obligations

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

### Enhanced pensions

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

	<b>31 July 2019</b>	31 July 2018
Price inflation	<b>2.2%</b>	2.1%
Discount rate	<b>2.2%</b>	2.8%

### Obligation to fund deficit on USS pension

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



## 21 Income and expenditure reserve – endowment reserves

Restricted net assets relating to endowments are as follows:

<b>Consolidated and University</b>	<b>Restricted Expendable £000</b>	<b>Restricted Permanent £000</b>	<b>2019 Total £000</b>	2018 Total £000
At 1 August 2018				
Capital	39	126	165	158
Accumulated income	3	120	123	121
	42	246	288	279
Investment income	–	5	5	5
Expenditure	(11)	(6)	(17)	(3)
Increase in market value of investments	–	8	8	7
Total endowment comprehensive (expenditure)/income for the year	(11)	7	(4)	9
<b>At 31 July 2019</b>	<b>31</b>	<b>253</b>	<b>284</b>	288
Represented by				
Capital	31	134	165	165
Accumulated income	–	119	119	123
	<b>31</b>	<b>253</b>	<b>284</b>	288
Analysis by type of purpose:				
Lectureships	–	–	–	11
Prize funds	12	2	14	14
Scholarships and bursaries	19	32	51	50
Research support	–	219	219	213
	<b>31</b>	<b>253</b>	<b>284</b>	288
Analysis by asset:	<b>31 July 2019 £000</b>	31 July 2018 £000		
Non-current investments	<b>212</b>	210		
Cash and cash equivalents	<b>72</b>	78		
	<b>284</b>	288		

## 22 Capital and other commitments

	<b>31 July 2019 Consolidated and University £000</b>	31 July 2018 Consolidated and University £000
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted for	26,203	25,893

## 23 Lease obligations

Total rentals payable under operating leases

<b>Consolidated and University</b>	<b>Land and buildings £000</b>	<b>31 July 2019 Plant and machinery £000</b>	<b>Total £000</b>	Land and buildings £000	31 July 2018 Plant and machinery £000	Total £000
Payable during the year	–	148	148	211	134	345
Future minimum lease payments due:						
Not later than one year	–	40	40	–	19	19
Later than one year and not later than five years	–	5	5	–	66	66
Total lease payments due	–	45	45	–	85	85

## 24 Related party transactions

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

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

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

Name	Nature of Interest	2018/19		2017/18	
		Income/ (expense) £000	Amount due to/(from) £000	Income/ (expense) £000	Amount due to/(from) £000
Academic Health Science Network	Non-Executive Directors are Governors	30	(2)	34	–
BE Group	Chairman is a Governor	–	–	(17)	–
Council of Deans of Health	Member is a Governor	(9)	–	–	–
Middlesbrough Council	Principal Cohesion Officer and Director of Public Health are Governors	469 (566)	(21) –	629 (549)	20 –
Middlesbrough Football Club	Company Secretary was a Governor	(90)	1	(78)	–
Middlesbrough Football Club Foundation	Director was a Governor	13 (12)	– –	14 (10)	– –
PD Ports	Chief Financial Officer is a Governor	27	–	30	–
Rockliffe Hall Ltd	Director and Company Secretary was a Governor	(29)	2	(32)	–
South Tees Hospital NHS Foundation Trust	Chief Executive is a Governor	33 (317)	(9) 29	15 (327)	5 –
Tees, Esk & Wear Valleys NHS Foundation Trust	Governor is a Governor	1 (57)	(5) 11	– –	– –
Tees Valley Combined Authority	Board member is a Governor	5,514	(7)	158	39
Teesside University Students' Union	Two Officer Trustees are Governors	356 (1,424)	(356) 380	384 (1,955)	– –
Thirteen Group	Chief Executive was a Governor	(1)	–	5	–
Visualsoft Ltd	Director is a Governor	1	(1)	–	–

No Board member has received any remuneration or has waived payments from the Group during the year (2018 – none).

The total expenses paid to or on behalf of three Board members was £1,160 (2018 – £1,622 to four Board members).

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

TUSU received a block grant from the University of £1,424,000 (2018: £1,692,000).

## 25 Financial instruments

### Overview

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

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

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

### Categories of financial instruments

	31 July 2019		31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Financial assets</b>				
Equities and investment funds	212	212	210	210
Trade and other receivables	11,446	12,720	6,404	12,125
Long-term cash deposits	28,000	28,000	47,000	47,000
Cash and cash equivalents	15,300	14,455	4,702	4,074
	<b>54,958</b>	<b>55,387</b>	58,316	63,409
<b>Financial liabilities</b>				
Loans	537	537	183	183
Trade and other payables	8,836	10,040	7,405	12,989
	<b>9,373</b>	<b>10,577</b>	7,588	13,172

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

### Risk management

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

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

## Credit risk

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

The Group's credit risk arises from bank balances, investments, student debtors and government and commercial organisations as customers. Management of credit risk is a prime objective of Treasury Management Policy. At 31 July 2019, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet. The Treasury Management Policy states maximum level of investments for each counterparty to mitigate risk concentration. Similarly, the Group's investment decisions are based on strict minimum credit worthiness criteria to ensure the safety of cash and investments. Credit worthiness of the Group's banks and money market funds is regularly monitored. Generally, the Group does not require collateral against financial assets.

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

## Liquidity risk

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

Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds. The Group policy is to maintain a minimum liquidity of £30m and invest excess funds for maturity of no more than 12 months. At 31 July 2019, the Group is holding cash deposits and investments of various maturities, none of which is greater than 12 months. The average maturity of all deposits and investments is 206 days.

## Exchange rate risk

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

The Group's principal foreign currency exposures arise from research-related receipts and payments denominated in euros. There are ring-fenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall exchange rate exposure is immaterial, being an insignificant portion of total income and expenditure. At 31 July 2019, the sterling equivalent of all euro bank balances was £0.3m (2018: £1.8m).

## Interest rate risk

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

The Group's main financing relates to two loans with a total amount outstanding of £2.25m (2018: £2.89m). Interest is charged at margins above base rate and LIBOR. At 31 July 2019, balance sheet values of deposits and investments are not exposed to changes in interest rates. However, the Group's interest and investment income is exposed to changes in interest rates i.e. reinvestment rate risk. The Group is prepared to accept re-investment risk to exploit opportunities where yield can be maximised without compromising capital base of the investment. The Group has no outstanding derivative instruments as at 31 July 2019 (2018: nil).

## 26 Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme England and Wales (TPS) and the Local Government Pension Scheme (LGPS), established locally as the Teesside Pension Fund (TPF). At 31 July 2019 16 members (2018: 10) of staff were members of the Universities Superannuation Scheme.

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

	<b>Year ended 31 July 2019 £000</b>	Year ended 31 July 2018 £000
TPS	4,827	4,658
TPF including FRS 102 adjustments	11,702	8,041
Other pension schemes	128	97
<b>Total pension cost</b> (note 7)	<b>16,657</b>	<b>12,796</b>

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

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

Basic employer contribution rates used during the year to 31 July 2019:

<b>TPS</b>	16.48%
<b>TPF</b>	14.4%

## 26 Pension schemes (continued)

### Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) on 5 March 2019. The key results of the valuation are:

- new employer contribution rates were set at 23.68% of pensionable pay (including administration fees of 0.08%) from 1 September 2019
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218.1bn and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £156.1bn giving a notional past service deficit of £22.0bn
- an employer cost cap of 10.9% of pensionable pay
- the assumed real rate of return is 2.8% in excess of prices until 2019 and then 2.4% and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return is 4.45%.

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

The pension costs paid to TPS in the year amounted to £4,827,000 (2018: £4,658,000).

## 26 Pension schemes (continued)

### Teesside Pension Fund

#### Introduction

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

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

#### Funding/Governance Arrangements of the TPF

The funded nature of the TPF requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The total contributions made for the year ended 31 July 2019 were £6,383,000, of which employer's contributions totalled £4,423,000 and employees' contributions totalled £1,960,000.

During the year, the University's contribution rate was 14.4%. Employees' contribution rates range from 5.5% to 12.5%, depending on salary and for full pension entitlement. From 1 April 2014 employees were able to opt for a 50% pension entitlement and their contribution rate is half of the standard rate whilst the employer's contribution rate remains unchanged. In addition, the University is required to make an additional monetary contribution which for the year ended 31 July 2019 was £325,000.

#### McCloud/Sargeant Judgement and Guaranteed Minimum Pension (GMP) Indexation and Equalisation

In December 2018 the Court of Appeal ruled in the 'McCloud/Sargeant' judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government applied to the Supreme Court for permission to appeal this judgement, however the Supreme Court rejected the Government's request on 27 June 2019. The next stage is for the case to be referred to the Employment Tribunal to agree the remedy, following appropriate consultation. In a Ministerial Statement dated 15 July 2019 Government committed to extending a remedy across all public sector schemes which included similar transitional protection arrangements, which includes the LGPS. Past Service costs include £3,157,000 in respect of this constructive obligation.

Following changes to the State Pension in April 2016, there was a risk that members of the LGPS who were 'contracted out' of the State Pension between 6 April 1978 and 6 April 1997, and who would reach their State Pension Age (SPA) after April 2016, would be worse off. This is because State Pension reforms removed the facility for the State to pay 'top up' payments to ensure their total pension was fully inflation protected. The LGPS was only required to pay limited increases on some elements of GMP (a portion of pension accrued in the LGPS when members were contracted out of the State Scheme). In March 2016 Government committed the LGPS to pay full pension increases on GMPs to individuals reaching SPA between 6 April 2016 and 5 December 2018. This has previously been accounted for. In January 2018 Government committed the LGPS to pay full pension increases on GMPs to individuals reaching SPA between 6 December 2018 and 5 April 2021. This has not been recognised in the accounts to date. Further, the Government has indicated that it is committed to continuing to compensate all members of public sector pension schemes reaching SPA after 5 April 2021. The Government's view is that this solution also meets sex equalisation requirements. Past Service costs include £695,000 in respect of this constructive obligation.

#### Assets

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

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



## **Risks associated with the Fund in relation to accounting**

### **Asset Volatility**

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

### **Changes in Bond Yield**

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

### **Inflation Risk**

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

### **Life expectancy**

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

### **Exiting employers**

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

## 26 Pension schemes (continued)

### Principal actuarial assumptions

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

	<b>At 31 July 2019</b>	At 31 July 2018
	<b>%</b>	<b>%</b>
Rate of increase in salaries	<b>3.2</b>	3.1
Future pensions increases	<b>2.2</b>	2.1
Discount rate for scheme liabilities	<b>2.2</b>	2.8
Inflation assumption (CPI)	<b>2.2</b>	2.1

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

The assumed life expectancies on retirement age 65 are:

	<b>At 31 July 2019</b>	At 31 July 2018
	<b>years</b>	<b>years</b>
<b>Retiring today</b>		
Males	<b>21.9</b>	22.9
Females	<b>23.8</b>	25.0
<b>Retiring in 20 years</b>		
Males	<b>23.6</b>	25.1
Females	<b>25.7</b>	27.3

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

	<b>At 31 July 2019</b>	At 31 July 2018
	<b>Share of the assets</b>	Share of the assets
	<b>%</b>	<b>%</b>
Equities	<b>75.5</b>	73.0
Property	<b>8.6</b>	7.7
Cash	<b>13.3</b>	18.0
Other	<b>2.6</b>	1.3
	<b>100</b>	100

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

<b>Assumption</b>	<b>Change in Assumption</b>	<b>Impact on fund deficit</b>
Discount rate	Decrease by 0.1%	Increase by £5.8m
Rate of salary growth	Increase by 0.1%	Increase by £1.5m
Rate of increase to pensions in payment	Increase by 0.1%	Increase by £4.3m
Members live longer than assumed	One year longer	Increase by £9.1m

## 26 Pension schemes (continued)

	<b>At 31 July 2019 £000</b>	At 31 July 2018 £000
<b>Analysis of amounts shown in balance sheet</b>		
Fair value of Fund assets	201,395	189,241
Present value of Fund liabilities	(271,350)	(230,875)
<b>Deficit in the scheme recorded within provisions (note 20)</b>	<b>(69,955)</b>	<b>(41,634)</b>
	<b>Year ended 31 July 2019 £000</b>	Year ended 31 July 2018 £000
<b>Amounts included in staff costs</b>		
Current service cost	7,823	7,627
Past service cost	3,879	414
	<b>11,702</b>	<b>8,041</b>
<b>Amounts included in interest and other finance costs</b>		
Net interest cost	1,104	975
<b>Amount recognised in other comprehensive income</b>		
Asset gains arising during the year	4,756	10,163
Experience (losses) on liabilities	(24,694)	(7,593)
	<b>(19,938)</b>	<b>2,570</b>
<b>Deficit at 1 August</b>	<b>(41,634)</b>	<b>(39,747)</b>
Movement in year:		
Current service cost	(7,823)	(7,627)
Employer contributions	4,423	4,559
Past service cost	(3,879)	(414)
Net interest on defined liability	(1,104)	(975)
Actuarial (losses)/gains	(19,938)	2,570
<b>Deficit at 31 July</b>	<b>(69,955)</b>	<b>(41,634)</b>
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at 1 August	230,875	212,504
Current service cost	7,823	7,627
Interest cost	6,433	5,491
Contributions by scheme participants	1,960	1,851
Actuarial losses	24,694	7,593
Benefits paid less individual transfers in	(4,314)	(4,605)
Past service cost	3,879	414
<b>Defined benefit obligations at 31 July</b>	<b>271,350</b>	<b>230,875</b>

## 26 Pension schemes (continued)

### Changes in the fair value of fund assets

	<b>Year ended 31 July 2019 £000</b>	Year ended 31 July 2018 £000
Fair value of Fund assets at 1 August	189,241	172,757
Interest on Fund assets	5,329	4,516
Actuarial gains	4,756	10,163
Contribution by the employer	4,423	4,559
Contributions by scheme participants	1,960	1,851
Benefits paid	(4,314)	(4,605)
<b>Fair value of Fund assets at 31 July</b>	<b>201,395</b>	189,241

### History of experience gains and losses

	<b>2019</b>	2018	2017	2016	2015
Difference between actual and expected return on Fund assets:					
Amount (£000)	4,756	10,163	22,789	7,714	4,560
Percentage of scheme assets	2.4%	5.4%	13.2%	5.3%	3.5%
Experience (losses)/gains on Fund liabilities					
Amount (£000)	(24,694)	(7,593)	4,133	(34,683)	545
Percentage of the present value of Fund liabilities	(9.1%)	(3.3%)	1.9%	(16.8%)	(0.3%)

### Actual return on Fund assets

	<b>Year ended 31 July 2019 £000</b>	Year ended 31 July 2018 £000
Interest income on Fund assets	5,329	4,516
Actuarial gains on assets	4,756	10,163
	<b>10,085</b>	14,679

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







This publication is available in alternative formats on request.  
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