

ANNUAL REPORT AND
FINANCIAL STATEMENTS



2016-17



VISION

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

MISSION

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

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

VALUES

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

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

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THE UNIVERSITY

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FOREWORD

from the Chairman and Pro-Chancellor

Over the last 12 months, our University consolidated its position as a high performing anchor institution, fulfilling our commitment to putting students at the heart of everything we do, and working collaboratively to deliver an exemplary student and learning experience.

In this context, the University has continued its track record of strong financial performance with excellent 2016-17 financial results. This will ensure the financial position of the University remains robust and resilient moving forward in a challenging environment.

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, a pledge that features in the overall mission of the University. Through engaging with our students and our communities we continue to contribute to the region in many ways, through investment, supporting local businesses and improving job prospects.

A key feature of the future of Teesside University is the development of a strong international offer to truly become a global university. The launch of Teesside University Business School complements this key strategic aim and offers a range of internationally competitive programmes.

The rise of the University in acclaimed league tables has seen the global standing of the institution significantly improve, alongside levels of satisfaction amongst our international students. Teesside University ranked number one in the UK for overall average satisfaction and for careers advice and employability in the International Student Barometer 2016.

In the face of a challenging higher education landscape, the Board of Governors continues to pay close attention to our risk management processes to ensure the University both secures future opportunities and also prepares for future challenges.

I am delighted to welcome Paul Drechsler as our new Chancellor and to thank Lord Sawyer for his hard work and commitment to the University over the past 12 years. Paul brings a wealth of experience and shares our vision of providing opportunity, driving enterprise and delivering excellence to our students, graduates and employers, evidenced through his own commitment to business, education and economic growth.

I am also pleased to welcome a number of new members to our Board. From our internal staff base we have welcomed Tom Platt and Amy Preston, Vice-Presidents of the Students' Union, Kate Gillen, Academic Registrar, Dann Cooley, Senior Technician (Sport & Exercise) and Helen Page, Senior Lecturer in Forensic Biology.

As the mid-point of the University's Corporate Strategy approaches, I am confident we will build on the foundations of success laid over recent years, to shape the future of the University and realise our vision.

Alastair MacColl
Chairman and Pro-Chancellor



INTRODUCTION

from the Vice-Chancellor and Chief Executive

Teesside University's performance over the last few years is something we can all be proud of. The clear and focused strategic direction of our Teesside 2020 Corporate Strategy has allowed us to identify key priorities to ensure we are well equipped to deliver an outstanding student experience.

I am immensely proud of the University's achievements in the last 12 months. We have been awarded a Silver rating in the government's new Teaching Excellence Framework (TEF) and were rated 60th in the *Times Higher Education* rankings, one of the highest performing TEF Silver institutions in the country. This latest ranking comes after Teesside University was one of only a handful of UK institutions shortlisted for the very first Global Teaching Excellence Awards, which recognise outstanding leadership, teaching and student support.

In the 2018 *Guardian University Guide*, we moved up 23 places, one of the highest climbers this year. This was thanks to a number of improved metrics, including student employability statistics and continued investment in student resources, and we have also been ranked as the top North-East institution for graduates securing professional and managerial level jobs (Destination of Leavers from Higher Education Survey, 2015-16).

We are ranked in the top 40 in the country for graduate prospects, according to the *Times* and *Sunday Times Good University Guide 2018* – rising nine places to 92nd in the influential league table, the highest climber across the five North East universities.

Further investment has been allocated to various campus projects, and the newly launched Campus Masterplan will maximise our ability to provide world-class facilities, providing modern and relevant learning experiences aligned with the education of the future.

Our national reputation for quality continues to improve, as evidenced by the 2017 National Student Survey, with a number of subjects ranking top in the UK for student satisfaction: accounting and finance, performing arts, dental hygiene and dental therapy, computer games animation, and information and communication technology.

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

Professor Paul Croney
Vice-Chancellor and Chief Executive



THE UNIVERSITY

Introduction

Teesside University is founded on a rich heritage, which has influenced its development into the dynamic, energetic and innovative institution it is today. It places students at the centre of everything it does and prides itself on its inclusive, consultative, responsive, friendly and open approach and on the significant positive social, economic and cultural impact that it has upon the communities that it serves and the wider economy of the North East and North Yorkshire.

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

The University was awarded The Queen's Anniversary Prize 2014-2018 for world-class excellence in relation to its work with business and the enterprise agenda. More recently we have achieved a 23 place increase in the 2018 *Guardian University Guide* and enhanced this position with a further increase of nine places in *The Times* and *Sunday Times Good University Guide* 2018 to 92nd place.

The University is also a proud member of the Athena SWAN charter and features in Stonewall's top 100 UK employers – the only North East university and one of only five North East organisations to appear in the prestigious list.



Teesside University in Numbers

2,396

Total number of staff in 2017.

87

This year we celebrated 87 years of teaching excellence – we were officially opened in 1930 as Constantine Technical College.

500+

Through our on-campus business support, our graduates have launched over 500 new businesses, creating almost 700 jobs.

18,554

Total number of students (based on 2016-17 HESA student record).

We have invested over £280m, from cash reserves, on our estate to create an excellent modern and innovative learning environment.

£270M+

0.2%

Debt 0.2% of total income.

£12.9M

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

£4.5M

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

Students studying in overseas partner institutions.

1,023

About the University

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

Teesside University is a dynamic and modern university which places students and the student experience at the centre of its activities. It is dedicated to delivering opportunities for quality scholarship enriched by engagement with research and with industry and the professions. The University derives income from a wide variety of sources, but the majority of its funding comes from three sources: tuition fees, contracts with the National Health Service (NHS), and grants from the Higher Education Funding Council for England (HEFCE).

Teesside University is an exempt charity under the terms of the Charities Act 2011. It is regulated by HEFCE, which has been appointed the principal regulator of Higher Education Institutions.

History

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

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

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

In 2011, Teesside opened a new university campus in Darlington. This was relaunched in 2017, marking a change in direction for the Darlington campus as a Centre for Professional and Executive Development. In September 2014, the University acquired mima (Middlesbrough Institute of Modern Art), an internationally renowned TATE+ gallery, further underlining Teesside's contribution to the successful development and celebration of culture on a regional, national and international scale, and extending the footprint of the University campus.

The University has invested more than a quarter of a billion pounds on its campuses in recent years to further enhance the experience and support provided to students, and it remains committed to investment-led growth.

Recent highlights include:

- > Campus Heart – a landmark development linking north and south sides of the campus creating an iconic central focus.
- > Orion and Stephenson – £5.7m investment to expand, upgrade and refurbish the science and engineering facilities in both the Orion and Stephenson buildings.
- > The Gym – the Olympia building was extended with a new £2.75m health and fitness centre.
- > Students' Union – the multi award-winning Students' Union has recently undergone a £1.1m refurbishment creating a modern, vibrant space for students to study, relax and socialise in.
- > Library – completion of a £6.85m project in the summer of 2017, creating a vibrant and enhanced technology-enabled space contributing to the student and staff experience.
- > Gazette Building – £3.5m acquisition and refurbishment to consolidate all professional services in one location.

UK HIGHER EDUCATION
QUALITY ASSURANCE AGENCY
APPROVED (2017)



A new £300m campus masterplan has recently been launched by the University. This focuses major investment over the next ten years on further enhancing the student experience through:

- > a central hub for student support
- > development of teaching facilities to enable the delivery of enhanced pedagogies
- > a new home for Teesside University Business School and improvement of the infrastructure for business and enterprise
- > enhancement of the quality, quantity and diversity of open access learning space provision
- > restructuring of the academic workspace to enhance student access
- > improvement of the quantity and quality of student accommodation
- > delivery of a more consistent, high-quality public realm and reduction of car parking on campus.

Accolades

Over the last decade, Teesside University has received a number of accolades in recognition of its achievements and progress, including The Queen's Anniversary Prize 2014-2018.

Other indicators of recent progress include:

- > Silver rating in the government's new Teaching Excellence Framework (TEF)
- > Shortlisted for the very first Global Teaching Excellence Awards, which recognise outstanding leadership, teaching and student support
- > Shortlisted three times as the *Times Higher Education* Entrepreneurial University of the Year
- > Four National Teaching Fellowships
- > University of the Year for Student Retention & Support (*The Times* and *Sunday Times Good University Guide* 2016)
- > The top university in the North East for graduates securing professional and managerial-level jobs (Destinations of Leavers from Higher Education survey 2015-16)
- > International students rank us number one in the UK for overall average satisfaction (International Student Barometer 2016)*
- > Ranked in the top 40 in the country for graduate prospects (*The Times* and *Sunday Times Good University Guide* 2018)
- > UK Higher Education Quality Assurance Agency approved (2017)
- > Investors in People Gold status at 'whole Institutional level'

*International Student Barometer Survey 2016, Autumn Wave – 182 institutions participated globally, 42 in the UK.

“ AN INTERNATIONAL REPUTATION FOR ACADEMIC EXCELLENCE

Teesside 2020

CORPORATE STRATEGY 2015-20

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

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

We have set out a programme of transformation over the next three years that will drive academic ambition and deliver excellence for our students, partners and communities we serve. We continue to position Teesside as an international university at the heart of the Tees Valley, that transforms lives and economies.



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

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

University Strategic Aims and Outcomes

1

STUDENT AND LEARNING EXPERIENCE

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

RESEARCH AND INNOVATION

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

2

3

ENTERPRISE AND BUSINESS ENGAGEMENT

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

4

INTERNATIONAL STRATEGY

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

RESOURCES AND BUSINESS MANAGEMENT

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

5

STRATEGIC REVIEW

Learning and Teaching Experience

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

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

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



Student experience

Teesside University continues to achieve high levels of student satisfaction and has embarked on an ambitious programme of projects to further enhance the student experience.

We have a distinctive approach to working in partnership with students through a learning community in which all members have an active and valued role. Building on this, we continue to put students at the heart of our activities; we have re-formed both the student learning and experience committee and the student experience policy committee to further enhance student engagement and maintain a strong student voice.

We have made significant investment in our facilities and services including new teaching facilities, a new gym, refurbished library, Students' Union and new social learning spaces, as well as industry-standard facilities and digital technologies. The 24-hour library access has been implemented and Student & Library Services have merged to provide a more holistic support service for students.

We recognise the diversity of starting points and experiences of our students and meeting the needs of individual lifecycles is a key element of our work to enhance the student experience. Taking a holistic view, work has begun to map the student journey and identify key touchpoints. We have introduced IT-enabled information points across the University and a new student portal has been launched as the centrepiece of our digital transformation for learning and teaching. The portal will improve student access to specific tailored information (including timetabling) and will enable the University to communicate more effectively with our students. Central to the success of the portal (from September 2017) is the introduction of the tablets for students scheme which will see all new first year full-time undergraduate fee-paying students on campus receiving a tablet (starting from September 2018).



Rose 23 places in
The Guardian league table.

23

TEF Silver

awarded TEF Silver rating

Learning and teaching

Teesside University has a distinctive pedigree in learning and teaching. Recognition of this excellence is evident from our TEF Silver award and shortlisting as a finalist of the inaugural Higher Education Academy's Global Teaching Excellence Awards.

Building on our heritage, the University remains committed to educating our students to become confident, critical, creative, adaptive, articulate and aspiring by developing an inspiring curriculum and learning environment. As part of the modernisation of the University, semesters have been successfully implemented and a phase one portfolio review has been completed, resulting in the re-alignment of some subject areas, re-establishment of Teesside University Business School, the development of new curriculum areas (including bringing Middlesbrough Institute of Modern Art (mima) into learning and teaching) and introduction of a new module evaluation system that enables sector benchmarking.

The implementation of our Research Grand Challenges, including Learning for the 21st Century, has brought together the teaching and research agendas, engaging new staff in research and subsequently informing curriculum developments and teaching.

As well as investing in industry-standard facilities, the University has developed a Student Futures Strategy, which will ensure all of our students have access to a work-related experience. In addition, the University has secured £49,234 through the HEFCE Catalyst Fund call for small-scale, experimental innovations in learning and teaching for a project entitled Enhancing Employability Outcomes through an Immersive Learning Environment. The purpose of the project is to rigorously assess the impact of an experimental approach to immersive online learning on the employability skills of specific undergraduate cohorts. Employer and student engagement lie at the core of the project. The online environment developed in partnership with employers and students was deployed in October 2017 and assesses how its use, when embedded within curriculum, improves their capabilities and confidence in the selection process for graduate-level employment.

Quality

Our excellence in learning and teaching is underpinned by robust quality systems. All of our regulations and procedures were recently reviewed and updated; we achieved a positive outcome from our Higher Education Review and Annual Provider Review. To maintain a consistent approach to quality in learning and teaching, we have introduced School Registrars who will support collaboration between the Schools and Academic Registry.

Teesside University has a strategic and co-ordinated approach to learning and teaching which is underpinned by our continued commitment to staff excellence. A learning, teaching and enhancement team has been established in Academic Registry, with the primary function of designing and facilitating high-quality CPD activities which develop high-quality professional staff that deliver to student expectations. 82% of our academic staff have a teaching qualification (placing us second in the sector). In addition we recently received re-accreditation of our UK Professional Standards Framework. The introduction of a new Academic Pathways scheme includes for the first time, the opportunity to achieve the title and grade of Professor through the learning and teaching route.

Academic Registry organised two learning and teaching enhancement conferences during the academic year, replacing the previous Festival of Learning. The first conference, My Degree, My Future, was specifically aimed at staff and students, and utilised a dual model of central sessions accompanied by student-focussed workshops. The second conference, Promoting Teaching Excellence, encouraged staff to explore the interface between research and teaching, and future facing pedagogies. The high level of attendance and satisfaction at both conferences is noteworthy.

Key successes for 2016-17

- > awarded TEF Silver rating
- > HEA Global Teaching Excellence Awards finalist
- > ranked second in the UK for the number of staff with teaching qualifications
- > rose 23 places in *The Guardian* league table
- > rose nine places in *The Times* and *Sunday Times* Good University Guide 2018.



INTEGRATE RESEARCH INTO TEACHING AND KNOWLEDGE TRANSFER

Research and Innovation

Our aim is to build on current areas of research strength and further develop selected areas of world-leading and internationally-excellent research which contribute to industrial strategy, global and societal challenges and inform our academic operation and purpose as a University.

Some of our key objectives are to:

- > develop high-quality research in selected disciplines and cross-disciplinary themes that has real-world impact
- > integrate research into teaching and knowledge transfer
- > use research to support scholarship and personal development for every member of academic staff
- > ensure that every student has the opportunity to be exposed to national and/or internationally excellent research as part of their academic experience.

Grand Challenges

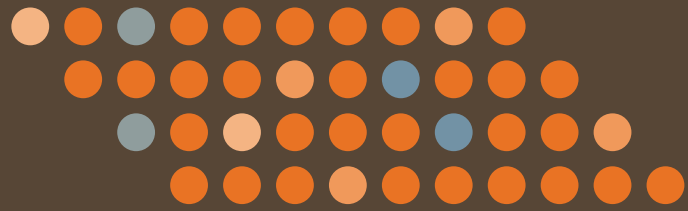
Our Research Grand Challenges, launched in 2017, are a major development and new way of working for the University which aim to further increase the ambition and visibility of our research in a global context and focus our research efforts toward addressing some of the key societal challenges of our age.

The five Grand Challenges of contributing to human **Health and Well-being**; **Resilient and Secure Societies**; delivering the new **Digital and Creative Economy**; technological and societal approaches to **Sustainable Environments**; and the development of new approaches to **Learning for the 21st Century**, facilitate the development of new research opportunities, collaborations and synergies between academic disciplines while simultaneously offering new possibilities and opportunities for both our innovation/enterprise and learning and teaching activities.





11 new international strategic partnerships established



a step change growth in our research student numbers including the appointment of 40 Graduate Tutors.



Research culture and environment

In the last 12 months we have implemented a range of measures to further strengthen the environment for research to thrive in the University including both the organisational infrastructure and a sustainable, diverse, inclusive and supportive culture that enables staff throughout the University to contribute and research to thrive.

An exciting development has been the establishment of our new Department of Research and Innovation Services, led by a newly-appointed Director and comprising three teams supporting researcher development and good research governance, research income generation and project management, and our preparations for the Research Excellence Framework including the maximisation of research impact.

A new integrated process for academic progression across all of the University's key areas of activity has been launched. The Academic Pathways Programme builds on our previous routes for conferment of the titles of Professor, Reader, Enterprise Fellow and University Teaching Fellow and provides three new parallel and equivalent pathways for staff to progress on the basis of their academic contribution to each of the research, enterprise, and learning and teaching agendas of the University. The scheme sets out criteria and expectations for staff aspiring to progress to the most senior academic grades through each of these routes, enabling academics to plan out career pathways and make their optimum contribution to the work of the University.

As a centrepiece of our digital transformation strategy for research, we have invested in a new research information system which will enable us to capture and benchmark our research outputs in real time and maximise benefits for reputational value and growing collaborative research.

Strategic partnerships

In order to develop an enhanced research environment, we have also focussed on the development of a number of strategic partnerships.

Over the past year, we have substantially increased our research involvement with the University Alliance. Teesside University has contributed to the launch of two new doctoral training alliance programmes in social policy and energy, with our staff having strategic leadership roles in both of these.

We have established our new healthcare innovation centre and partnership, as a formal collaboration with TWI Global and South Tees Hospitals NHS Foundation Trust and are looking to expand this model to other trusts over the coming year.

In addition, over the past year, 11 new formal international academic research partnerships have been established contributing to our research activities and aspirations.

Research students

We have built on previous activity to produce a step change in the research student numbers. Continuing to support programmes such as Students as Researchers and the introduction of a Graduate Tutor Scheme has resulted in courses being underpinned by active research and a more attractive research offer. Through these interventions we have seen an increase in both the number of students progressing to postgraduate study and an improvement in the number of PhD completions.

Key successes for 2016-17

- > 11 new international strategic partnerships established
- > an increase in PhD progression and completion rates
- > a step change growth in our research student numbers including the appointment of 40 Graduate Tutors.

Enterprise and Business Engagement

As an anchor institution our aim is to provide client-focused knowledge services for industry, businesses and the professions while ensuring our research drives innovation, regeneration and economic growth.

This is delivered through the Enterprise and Business Engagement Strategy, which aims to:

- > develop a network of global business and academic partnerships to enhance enterprise and business engagement
- > grow continuous professional development activity and corporate learning partnerships to generate enterprise and consultancy income
- > increase the number of graduate placements and employability rates
- > grow the number of student start-ups and spin-out companies using University knowledge and research.

Economic impact

Teesside University plays a pivotal role within the region and works alongside Tees Valley Combined Authority and other partners to address local challenges, enhance aspirations and drive economic prosperity. We lead on several projects to ensure the area capitalises on its many strengths, including the National Horizons Centre, DigitalCity and Innovate Tees Valley.

These and other activities make a significant contribution to the region, including supporting a total of 1,970 FTE jobs (gross) across the Tees Valley annually, and in 2016-17, the University generated human capital impacts of approximately £1.3 billion.

Knowledge exchange

Building on the University's strengths in this area, following a record achievement in knowledge transfer partnerships last year, the Pro Vice-Chancellor led the development of the Higher Education Innovation Funding Strategy, which consolidated the University's ongoing commitment to encourage knowledge exchange and acts as a catalyst for business growth. As a result, the University was one of only eight higher education institutions nationwide out of 97 commended by the Higher Education Funding Council for England for its knowledge exchange work.

The strategy was commended for its:

- > commitment and ambition
- > strong links with research and teaching focusing on building on its own strengths and those of partners
- > sound management approaches
- > overall alignment and coherence.

Teesside University's knowledge exchange activities contributed almost £81m gross value added in the North East last year, including £48.3m in the Tees Valley, and also supported a total of 810 FTE jobs in the region, including 483 in the Tees Valley.

top in the North East for employability prospects (Destination of Leavers from Higher Education Survey, 2015-16)



contributed over £80 million to the local economy.

Student Futures

The Student Futures Strategy demonstrates our commitment to ensuring our students achieve the futures they deserve. Operational delivery is determined by a robust plan, providing clarity and direction on the way in which we intend to prepare our students for their futures – whether that be employment, further study, or establishing their own companies. By analysing industry best practice and global initiatives, the strategy ensures maximum opportunity and impact.

A key delivery strand of the Student Futures Strategy is the Reed NCFE project which works with our final-year students to help them prepare for their futures and secure graduate-level roles post-graduation. Reed have been working with the Schools to offer support and in terms of student engagement, job preparation and securing interviews, they have already exceeded targets set. Job offers have been made and final figures are expected to demonstrate a major impact for the 2016-17 graduates.

In terms of performance, Teesside University has made a significant improvement with 57% of graduates securing graduate-level jobs in professional and managerial roles, placing the institution top of the region's five universities.

Launchpad

Teesside University's innovative start-up hub continues to grow in size and impact – with 20 graduate start-ups incubated and a further 22 new teams joining the programme following this year's graduations. Company types are varied, but embrace the Launchpad ethos of a start-up culture of creativity, innovation and problem solving. In the last year, start-up activity by Teesside University graduates has grown significantly with a 200% increase in new companies on the previous year, resulting in 58 new jobs and an average business size of 3.5 employees. Launchpad's first fledged business Circlecloud has left the programme with a turnover approaching £500,000 and is now in the University's innovation centre at Fusion Hive. Greenlord Studios and Sock Monkey Games will be fledging in September to Boho 5 – both with healthy turnover and plans for growth. Launchpad businesses Kraken IM and GRN Sportswear will be delivering keynotes at this year's Venturefest Tees Valley.

Recent corporate and VIP visits to Launchpad include Virgin Trains, Virgin StartUp, Bank of England, HM Treasury, UCLAN, University Alliance, Henan Provence PRC Government.

New initiatives, including Launchpad FUEL, supported by the Willan Trust gives grants up to £19k a team to help budding entrepreneurs develop early-stage ideas for promising products or concepts. A unique Micro Business Academy gives Teesside students the knowledge and skills to start and run small internet trading businesses that provide supplementary income and develop employability and enterprise skills while studying by leveraging platforms such as Ali Express, Oberlo, eBay and Amazon. In addition, Launchpad's Campus Inc project will seek to find sustainable student-managed start-ups that provide essential goods and services to our campus and the student population.

Plans are under way for a 2018 refurbishment of Launchpad's Victoria Building which will see rentable space increase from 19 to 26 offices and the creation of a 55-seat commercial/Launchpad co-working space.

MOBIE launch

Teesside University has been working with renowned architect and presenter George Clarke, best known for his work on *Restoration Man* and *George Clarke's Amazing Spaces*, to develop a suite of innovative courses in advanced home construction.

The Ministry of Building Innovation & Education (MOBIE) initiative was officially launched in May 2017 and is aimed at kickstarting a fundamental change to the home building industry, attracting new generations into the profession.

This exciting suite of courses includes a Higher National Certificate and Higher National Diploma, an undergraduate degree programme, BSc (Hons) Advanced Home Construction (top-up) and a postgraduate degree course, MSc Advanced Home Futures. Students will engage with industry and explore the concept of home, different aspects of living spaces and digital solutions to create innovative approaches to address the issues of the built environment.

MOBIE

Strategic partnerships

Teesside University defines itself by its partnership working and has engaged with a multitude of businesses including Virgin Rail, Virgin Start-up, Cisco, Quorn, Microsoft, GCHQ, Fuji Diosynth, Boeing, Cape, Durham Constabulary, NHS Trusts, Tees Valley Combined Authority, to build meaningful relationships that provide access to our academic research expertise and student talent, with a particular emphasis on helping businesses embrace innovation.

Key successes for 2016-17

- > top in the North East for employability prospects (Destination of Leavers from Higher Education Survey, 2015-16)
- > HEFCE commendation for HEIF Strategy
- > contributed over £80 million to the local economy
- > shortlisted for the Lloyds Bank National Business Awards – The Duke of York Award for University Entrepreneurship.



AT TEESSIDE UNIVERSITY WE ARE DEVELOPING A FRAMEWORK FOR INTERNATIONALISATION

International Strategy

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

This will be delivered through the International Strategy to:

- > grow international student numbers on campus to create a culturally diverse learning community
- > create opportunities for international experience within the curriculum and promoting cross-cultural understanding
- > grow transnational education opportunities to facilitate student and staff exchange and diversify income streams
- > facilitate international research and knowledge transfer.

Quality focus

The development of the international strategic plan last year clearly outlined a new strategic approach for the international portfolio, based on quality. A number of reviews have taken place resulting in streamlined partnership and agent selection and performance procedures, improved internal processes and new policy development.

As a result of this work, Teesside University is now in a stronger position to respond to the challenging recruitment environment currently facing UK universities. A new promotional campaign targeted at key markets has been launched to enhance our reputation and is further consolidated by our overseas offices working hard to promote our presence overseas.

Strategic partnerships

Building on the University's quality approach, there has been a prime focus on the development of new strong relationships with good quality partners. Robust selection processes evaluating potential partner's strategic fit with the University are now in place to protect and enhance our position on the global stage.

Working with the Management Development Institute of Singapore (MDIS), the University has worked collaboratively to develop a suite of courses within the School of Computing, Media & the Arts and the School of Science, Engineering & Design. Further options are being explored for 2018, including a DBA with Teesside University Business School. Following the success of this new partnership, discussions are also underway for courses with MDIS Malaysia.

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





Internationalisation

Providing a global learning experience is a key objective for higher education institutions and an important outcome for prospective students to assist them in developing the right skills to compete in a globally connected environment.

At Teesside University we are developing a framework for internationalisation to ensure the development of global perspectives; international, cultural and ethical sensitivity, and; useful knowledge and employability skills for the globalised market place.

This is a transformative and continuous process, which complements the corporate strategy vision and institutional strategic plans.

Global rankings

In the international education arena the global standing of an institution remains a vital component of evaluating performance and quality. Gaining a respectable position in the global rankings is therefore vital to compete internationally and although this is challenging in such a competitive environment, Teesside University achieved a 23 place increase in the 2018 *Guardian University Guide*. In addition to this we were included in the *Times Higher Education* global rankings.

As other metrics used to evaluate performance are increasing at Teesside, such as employability and teaching measures, we are in a strong position to continue to rise in the rankings, cementing the institution's reputation as a global leader in teaching and research.

Key successes for 2016-17

- > Teesside University ranked number one in the UK for overall average satisfaction by international students*
- > listed in the *Times Higher Education* world university rankings 2017-18
- > international students rank us number one in the UK for careers advice and employability*.

**International Student Barometer Survey 2016, Autumn Wave – 182 institutions participated globally, 42 in the UK.*



Resources and Business Management

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

2016-17 Resources and Business Management KPI performance

The overall position of the University continues to be strong with 90% of the target KPIs set out in the Resources and Business Management Strategy achieved as set out below:

KPI	Target	Actual	RAG Rating
Total student enrolments (FTE)	14,163	13,985	●
Total student enrolments off-campus included in total student enrolments (FTE)	1,809	1,778	●
Minimum annual surplus* as a % of total income	5%	7%	●
Minimum resources available for investment (EBITDA)/Total income (%)	8%	11.9%	●
Cash balance**	£40m	£51m	●
Pay***:Income ratio (%)	58%	57%	●
Student:Staff ratio (No)	17.2	17.2	●
Services and facilities spend per student	£1,700	£2,383	●
Overall staff satisfaction	95%	87%	●
Maintain Investors in People	IIP	IIP	●

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

** Adjusted for loan set-off arrangement and including amounts on deposit | *** Adjusted for defined benefit pension schemes, restructuring costs and holiday pay

The strategic aims of the Resources and Business Management 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.



The Resources and Business Management Strategy and underpinning professional services (including Campus Services, Student Recruitment & Marketing, Legal & Governance Services, Finance & Commercial Development, Human Resources and IT Services) keep the University safe and sustainable, secure investment and growth, and support academic excellence and the student and graduate experience.

The University approach to resources and business management and underpinning professional services aims to be best in class, fully supporting the student experience and driving University management, change and commercial activities through a model of service excellence.

The delivery of the Resources and Business Management Strategy has again been underpinned by robust financial management, effective use of resources and delivery of all financial KPIs.

Further significant investment has taken place across the campus during the year on buildings, infrastructure, equipment and IT, and an ambitious campus masterplan agreed to deliver a further £300m of investment over the next ten years.

Teesside is currently one of five Universities in the sector with Investors in People (IIP) gold status which recognises the engagement of our staff in delivering the University's vision, values and strategy, and our commitment to a culture of empowerment and professional development.

We are proud to have been ranked in the Stonewall list of the top 100 places for LGBT employees to work across Britain in 2017, judged on the way each organisation treats its members of staff from the LGBT community.

Teesside is a proud member of the Athena SWAN Charter which is open to higher education institutions that are committed to the employment of women in STEMM (Science, Technology, Engineering, Medicine and Mathematics) and also to the advancement of their careers.

Campus developments

We have invested over £270m in our campuses in recent years and further significant investment will continue.

We are committed to investing further in growth and enhancing the experiences of our students, businesses we work with and communities across the Tees Valley.

In September 2017 the University launched an exciting programme of investment which will see £300m spent to transform the campus over the next ten years. The campus masterplan has been developed following extensive consultation with students and staff and will provide the optimum facilities to meet the needs of the 21st century learner. This ambitious plan provides a blueprint for how the campus will develop over the next decade.

This significant programme of investment reinforces Teesside University's commitment to providing an outstanding student and learning experience and highlights our ambition to create a campus which is among the very best in the country.

During the year ended 31 July 2017 phase 1 commenced with the completion of the £6.85m library refurbishment and the acquisition of the former Gazette building on Borough Road. Other developments include the improvement to teaching space at both the Middlesbrough and Darlington campuses and the development of the National Horizons Centre.

Phase 1 includes:

- > A £10m Student Life building to bring all student facing services together in one location. The Student Life building will also include an employability centre and teaching facilities.
- > The first phase of creating a new home for the Teesside University Business School will see £6m spent to support the continuing growth of our re-launched School. Phase two will follow, with a further £15m investment.
- > Significant transformation of student accommodation. £83m will be invested to transform the student accommodation offer, including new purpose-built accommodation on the Woodlands site, a full refurbishment of King Edward's Square, and refurbishment and modernisation of Parkside Village.
- > The £22.3m National Horizons Centre, a biomedical research, education and teaching facility at the University's Darlington campus, which will support the industries set to transform the UK economy, including biologics, industrial biotechnology and digital.

Key successes for 2016-17

- > delivery of all financial KPIs for 2016-17 and further year-on-year improvement in all key controllable financial metrics
- > successful student recruitment delivering further growth in student numbers
- > development and approval of the campus masterplan 2017-2027
- > delivery of masterplan phase one projects including Library refurbishment
- > new planning and performance framework implemented
- > development of University Transformation Programme
- > implementation of key digital initiatives including the Student Portal and Lecture Capture
- > significant service and revenue improvements in University soft services including catering and student accommodation.



YEAR-ON-YEAR IMPROVEMENT IN ALL KEY CONTROLLABLE FINANCIAL METRICS HAS AGAIN BEEN ACHIEVED, MAINTAINING THE TRAJECTORY OF THE LAST THREE YEARS

Financial highlights and Chief Operating Officer overview

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

2016-17 financial strategy performance

> Financial stability and resilience

- Maintaining strong net cash balances – £47.7m (2015-16: £42m) holding minimal borrowing – borrowings of 0.2% of turnover (2015-16: 0.3%).
- 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 11.9% during the year (2015-16: 9.4%).
- Delivering investment in growth and continuing to enhance the student experience.
- Delivering significant cost efficiencies across the University during the year.

> Investment capability

- Significant investment to support Teesside 2020 strategic priorities across key strategies:
 - Learning and Teaching
 - Enterprise and Business Engagement
 - Research
 - International
 - Resources and Business Management
- Continued campus investment
- 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, putting some of the cash balances to work to stimulate and support future growth. This programme included almost £11m of capital investment during the year, as well as targeted investment to support student recruitment, curriculum development, international growth and research. This was complemented by the continued identification and delivery of efficiencies across both the pay and non-pay cost base.

In support of the Teesside 2020 Corporate Strategy, the Board of Governors has approved a new Estates Strategy and Campus Masterplan which determine the major projects the University will develop and implement over the next ten years as well as associated prioritisation, timelines and financing.

The consolidation of activities within the portfolio of the Chief Operating Officer has continued to increase collaboration between services to ensure that we deliver service excellence.

£135.1M

TOTAL INCOME

up
£5M
on 2015-16

11%
Up 11%
over the
last three years

2016-17 financial performance against 2015-16

The financial results have seen year-on-year improvement over 2015-16 on all key controllable financial metrics.

The University's consolidated financial performance for 2016-17 can be summarised as follows:

- > total income of £135.1m (2015-16: £130.1m)
- > surplus after tax of £3.9m (2015-16: £3.9m)
- > cash generated from operating activities £14.9m (2015-16: £13.2m)
- > investment in capital expenditure £11m (2015-16: £22.8m)
- > net assets of £131.5m (2015-16: £100.6m).

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 £5.5m (2015-16: £2m). However, the pension liability has reduced by £21.5m compared to 2015-16 due to greater stability in the UK AA corporate bond market the discount rate applied to scheme liabilities was similar to that used at 31 July 2016. Scheme liabilities at 31 July 2016 were adversely affected by the Brexit vote which caused volatility in the financial markets and significantly reduced the yield on AA corporate bonds and hence the discount rate.

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

Net margin
more than
doubled over the
last four years

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

Five year summary of income and expenditure

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

	2016-17	2015-16	2014-15 Restated	2013-14*	2012-13*
	£'000	£'000	£'000	£'000	£'000
Tuition Fees and Educational Contracts	102,321	95,792	87,334	78,769	68,220
Funding Council Grants	13,740	13,983	16,668	20,951	39,799
Research Grants and Contracts	2,558	3,003	2,283	3,022	3,067
Other Income	15,849	16,950	14,971	13,802	12,506
Investment Income	313	377	465	3,385	1,572
Donations and Endowments	275	–	–	–	–
TOTAL INCOME	135,056	130,105	121,721	119,929	125,164
Less: measurement adjustments	–	–	–	(2,813)	(797)
TOTAL INCOME EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS	135,056	130,105	121,721	117,116	124,367
TOTAL EXPENDITURE	(131,125)	(126,174)	(119,088)	(114,576)	(114,953)
Add: measurement adjustments	5,507	3,252	2,970	563	642
TOTAL EXPENDITURE EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS	(125,618)	(122,922)	(116,118)	(114,013)	(114,311)
SURPLUS BEFORE OTHER GAINS AND TAX EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS	9,438	7,183	5,603	3,103	10,056
Net Margin	7.0%	5.5%	4.6%	2.6%	8.0%

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

The University incurred restructuring costs of £2.6m (2015-16: £2.9m) following a strategic review of the School structures and some professional service areas. As part of the University's Academic Excellence Strategy the School of Design, Culture & the Arts was disestablished and its subject groups were redistributed across other Schools. The new School structure is part of an ongoing wider review of University activities and programmes to ensure that the University remains financially sustainable in a challenging funding and competitive environment.

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

£6.5M

INCREASE

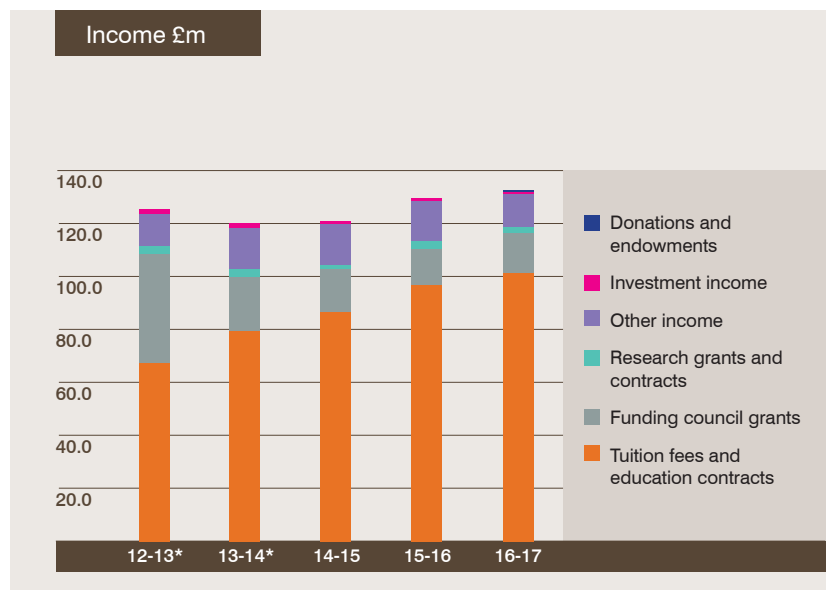
in tuition fee income and education contracts

Income

Total income in the year was £135.1m representing an increase of 3.8% over the previous year (2015-16: £130.1m). The main movement is:

- > tuition fee income and education contracts increased by £6.5m. This was predominantly down to fee income from full-time home and EU students increasing by £7.9m offset by reductions of £0.9m and £0.4m in income from part-time and international students respectively.

As more undergraduate students enter the University in the new fees regime so the balance of income continues to shift from teaching grant to tuition fees. Income from tuition fees and education contracts accounts for 75.8% (2015-16: 73.6%) of total income and is illustrated in the chart.



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

Expenditure

Total expenditure was £131.1m, an increase of £4.9m in the year (2015-16: £126.2m).

The main movement year-on-year is:

- > staff costs were £83.4m (2015-16: £80.3m), an increase of £3.1m or 3.9%. Salary costs remained stable, reflecting the ongoing restructuring savings; social security costs increased by £0.8m due to the full year effect of the national insurance increase from April 2016 as a result of the end of contracting out and the introduction of the apprenticeship levy in April 2017; other pension costs increased by £3.0m which is wholly due to an increase in the FRS 102 current service cost for LGPS members. Excluding FRS 102 costs and restructuring costs this represents 56.9% (2015-16: 57.9%) of total income.

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

Surplus

The surplus before other gains of £3.9m is consistent with 2015-16. However, excluding the impact of FRS102 the University achieved a controllable surplus of £9.4m which is a considerable increase on 2015-16 (£7.2m). It is important for the University to generate a surplus in order to achieve the Teesside 2020 Corporate Strategy, including delivering the Campus Masterplan. The controllable net margin of 7.0% represents strong financial performance for the year.

Balance sheet

The net assets of the group increased this year by £30.9m to £131.5m. The main areas of change were:

- > increase in fixed assets of £3.3m
- > increase in cash and cash held on term deposits of £5.7m
- > decrease in the pension liability of £21.9m.



DEVELOPMENTS WERE FUNDED BY EXISTING CASH RESERVES

Capital programme

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

- > £6.85m refurbishment of the library which commenced in summer 2016 and comprised two phases in order to minimise disruption for students and staff. The second phase was completed for the commencement of the 2017-18 academic year
- > completion of RIBA stage 3 (developed design) of the National Horizons Centre. This £22.3m project will establish a building which will provide a full range of skills for bio-industry and in applying digital technologies to improve performance and productivity in advanced manufacturing
- > a range of enabling projects providing initial investment in Campus Masterplan priorities
- > the purchase of the Gazette building which will facilitate the creation of a Corporate and Professional Services Hub.

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

Cash flow

During the year performance was very strong with £14.9m (2015-16: £13.2m) generated from operating activities. There was a reduction in short-term deposits of £14m and an increase of £19.7m in cash balances.

Treasury management

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

Short-term deposits have been transferred to instant access accounts to ensure that sufficient funds are readily available to fund the capital programme, which is currently underway.

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

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





Five year summary of key statistics

	2016-17	2015-16	2014-15 Restated	2013-14*	2012-13*
	£'000	£'000	£'000	£'000	£'000
Tuition fees and education contracts	102,321	95,792	87,334	78,769	68,220
Funding council grants	13,740	13,983	16,668	20,951	39,799
Research grants and contracts	2,558	3,003	2,283	3,022	3,067
Other income	15,849	16,950	14,971	13,802	12,506
Investment income	313	377	465	3,385	1,572
Donations and endowments	275	–	–	–	–
TOTAL INCOME	135,056	130,105	121,721	119,929	125,164
TOTAL EXPENDITURE	(131,125)	(126,174)	(119,088)	(114,576)	(114,953)
SURPLUS BEFORE OTHER GAINS	3,931	3,931	2,633	5,353	10,211
NET CASH INFLOW FROM OPERATING ACTIVITIES	14,893	13,235	7,835	5,619	12,406
INCREASE/(DECREASE) IN CASH AND BANK DEPOSITS IN THE YEAR	5,674	(9,412)	(20,786)	2,439	6,546
Fixed assets	159,604	156,112	139,456	105,739	105,400
Non-current investments	230	216	207	236	228
Net current assets	32,030	26,437	36,522	60,951	59,273
Creditors due after more than one year	(15,307)	(15,147)	(15,030)	(483)	(583)
Provisions	(4,880)	(5,301)	(4,973)	(5,188)	(5,328)
NET ASSETS BEFORE PENSION LIABILITY	171,677	162,317	156,182	161,255	158,990
PENSION LIABILITY	(40,220)	(61,735)	(32,522)	(34,680)	(5,406)
NET ASSETS AFTER PENSION LIABILITY	131,457	100,582	123,660	126,575	153,584

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



CONTINUING TO MAINTAIN STRONG, STRATEGIC AND FOCUSED RISK MANAGEMENT

Risk management and principal risks

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

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

The principal risks facing the University are considered to be:

Student recruitment

Maintaining student numbers is critical for long-term sustainability in an increasingly competitive environment. Deregulation of the market and increased competition across all market segments is compounded further by the importance attached to external benchmarks – such as the National Student Survey (NSS), league tables and the Destinations of Leavers from Higher Education survey (DLHE) – by students and influencers. An early assessment of the recruitment for 2017-18 indicates that the University will achieve its student number target.

The UK HE market for international students remains challenging as global competition increases overseas. In addition to this increase in competition, current UK government policies that restrict international graduates' post-study work opportunities, make the recruitment of international students challenging. The University's International Strategy identifies opportunities for improving the University's recruitment of international students which are being implemented.

Reputational impact

As the higher education sector becomes more competitive the maintenance and enhancement of reputation becomes increasingly important. The impact of league tables and the NSS results are expected to become more influential, and an indicator of quality and were one of the external metrics used by the Teaching Excellence Framework (TEF).

The University has been awarded Silver in the TEF and improved its position in the three key league tables.

The University will continue to focus on improving its standing in key league tables.

Brexit

Following the UK's vote to leave the European Union (EU) and the resultant political and economic uncertainty surrounding the impact on student and staff mobility, research funding and other European funding, this risk was added to the University's strategic risk register. Competitor pressure has also increased for the recruitment of home students as EU students have begun to look elsewhere due to uncertainties over UK immigration policy.

Members of the senior management team are actively involved with a wide range of organisations representing UK Universities in informing, negotiating and lobbying Government. This includes UUK which undertakes policy and research that is shared with Government.

The information and knowledge obtained from attendance at national bodies is cascaded by senior managers to other staff members, so any potential changes to policy are incorporated into University plans and both staff and students receive updates as and when appropriate. Potential areas of risk have been reported to the Audit Committee.

GOVERNANCE

Public Benefit Statement

The University's charitable objects are set out in Section 124 of the Education Reform Act 1988. They include powers to provide higher education, to carry out research, and to publish the results of the research (or any other material arising out of or connected with it) in such a manner as the University sees fit.

The Trustees of the University are the members of its Board of Governors, as listed on page 32, and include the Vice-Chancellor and staff and Students' Union members. They have oversight of the management of the University and ensure that in achieving its charitable objects the University establishes strategic aims and objectives and undertakes such aims and objectives in ways which are consistent with the Charity Commission's guidance on the general principles of public benefit. In determining the University's objectives and activities and in exercising its powers and duties, the Board of Governors has had due regard to the Charity Commission's latest guidance on the reporting of public benefit. These principles state that there must be an identifiable benefit and that the benefit must be to the public or to a sufficient section of the public and not give rise to more than incidental personal benefit.

The University's mission as defined in the Teesside 2020 Corporate Strategy addresses the economic and social impact of the University in relation to its students, partners and communities which we serve.

Charitable beneficiaries clearly include the University's undergraduate and postgraduate students. Other beneficiaries of our teaching and research-related activities are diverse and include local, national and international organisations (including charities and the public sector), community groups and their participants as well as the wider Teesside population.

The information below further outlines how the University has met its public benefit obligations throughout the year.

Enhancing the student experience

Through the Learning and Teaching Strategy, the University is committed to providing a learner centred student experience, fostered through cross-institutional collaboration and a holistic approach to student support. At the core of this approach is recognition of the need to develop graduates who are capable of excelling within a connected global workplace. To this end, significant investment has been made in providing accessible resources and facilitating impactful opportunities which contribute to the delivery of an outstanding student and learning experience.

Our Student Futures Strategy sets out to help all our graduates achieve the careers they deserve, providing them with the knowledge and attributes to bring real value to the economy. Through volunteering, placements, projects, enterprise and knowledge transfer, our students work with business, education and the community to help make a difference while learning new skills.

In alignment with the University's role as an anchor institution, students are encouraged to actively contribute to the local community. Alongside enhancing the employability and skillsets of students, such initiatives deliver measurable impact for the general public. For example, the University's volun-tees initiative co-ordinates, monitors and records volunteering opportunities undertaken by students, staff and recent graduates. In 2016-17, 548 volunteers participated in 16,900 hours of volunteering within the local community.

Students are encouraged to apply knowledge, skills and expertise accrued during their studies to real world issues and challenges beyond the University. The Students as Researchers scheme offers funded opportunities for students to collaborate with academics in conducting research projects. 18 Student Researcher placements were funded in 2016-17, of which almost half were conducted in partnership with an external body. Collaborative partners in the Students as Researchers scheme included the Teesside Sensory Support Network, Tees Valley, Durham and North Yorkshire Neurological Alliance, and Groundwork North East and Cumbria. Former Student Researchers from the 2015-16 cycle presented their research to MPs, peers and policymakers at the prestigious Posters in Parliament event at Westminster in March 2017, in partnership with a representative from Health Watch North East.

The University's philanthropic and alumni engagement activities raise funds from alumni and friends to help enhance the student experience. In order to guide the implementation of the Development & Alumni Relations Strategy, the Development and Philanthropy Working Group, chaired by the Chief Operating Officer, has overseen the necessary enhancements to the University's regulations and review processes. In addition to the significant rolling annual donations the University gratefully receives, further work with donors and University friends has resulted in a number of new scholarships and bursaries. The Student Experience Fund was again available for students to access financial support for opportunities that would contribute towards an outstanding student experience. Further work in 2017-18 is planned to ensure this fund is maximised.

Improving access and widening participation

The University's Access Agreement for the Office for Fair Access underlines its commitment to building upon its excellent work in access and retention and student success. As evidenced by our outstanding track record on access with 98.8% of new full-time entrants coming from state schools and 27.4% from low participation neighbourhoods. The University continues to perform consistently across its benchmarks and is nationally recognised as a sector leader in raising aspirations. The University was also part of the successful bid by the five North East Universities and regional colleges to create the North East Collaborative Outreach Programme as part of the National Collaborative Outreach Programme.

The Quality Assurance Agency for Higher Education has acknowledged the University's track record of success in widening participation, leading to outstanding levels of social mobility, both in its own right and through its strong partnership network with local further education colleges.

During 2016-17 the University provided bursaries and scholarships of over £4.5m including a cash payment of £500 to eligible full-time first year students within the first six weeks of term. Almost £1.6m was committed to student success activities and over £1.3m to student progression initiatives.

Community engagement

External engagement is a core value of Teesside University and is embedded across the student experience, learning, research and business engagement activities. These are usually based around knowledge exchange, mutual benefit and the public good.

The University is committed, in principle and in practice, to the economic, social and cultural success of the communities it serves. The University's commitment to community engagement, which is widely acknowledged, is outlined in the University's Corporate Social Responsibility Framework. Continued working with communities and businesses is central to our purpose.

Middlesbrough Institute of Modern Art (mima) has defined its purpose as a useful museum with a strong civic agenda. Working in collaboration with Arts Council England and Middlesbrough Council, mima takes a leading role in addressing current issues within politics, economics and culture, and in contributing to social change. It provides many different activities, and works with people from many backgrounds.

The University is redefining its culture strategy, to connect with mima and with national and regional agendas for culture. This includes building cultural activity to connect with our communities, partner organisations and working creatively to enhance the experience of our students. We work closely with Tees Valley Combined Authority to deliver the culture and tourism strand of the Strategic Economic Plan; and with the North East Culture Partnership, to deliver the region's Case for Culture.

Through mima the University is developing creative seasonal activities such as Chinese New Year, Mela and Black History Month, alongside public lectures and study days, community projects and supporting regional partners in cultural development.

The University, specifically mima, has been shortlisted for a 2017 *Times Higher Education* Award for Excellence and Innovation in the Arts.

Community economic engagement

As an anchor institution in the Tees Valley, working closely with business, partners and stakeholders, the University actively supports delivery of the Tees Valley Strategic Economic Plan, and the national Industrial Strategy, contributing to economic prosperity and social cohesion. We both lead and support initiatives designed to promote growth.

DigitalCity, a longstanding partnership initiative led by the University, has created a thriving cluster of technology and creative companies, supporting them to grow and to help other sectors to modernise practices and processes through digital. Launchpad, our ground-breaking student and graduate enterprise programme, helps talented graduates to establish and grow high-value businesses in the Tees Valley. Like DigitalCity, Launchpad works closely with stakeholders and partners to create the best environment and opportunities for business growth. Other key measures aimed at helping local businesses to enhance skills, performance and productivity include Innovate Tees Valley and Leading Growth, which focus on equipping small and medium-sized companies with innovation and leadership capabilities.

Ethics

The University's ethical investment policy is reviewed on an annual basis to ensure that its deposits of cash resources are limited to those institutions whose social, environmental and ethical policies have been considered acceptable by the University.

With regards to charitable donations the University's Development and Philanthropy Working Group currently oversees the governance around the acceptance and disbursement of philanthropic income in accordance with the University's Policy and Guidance on the Acceptance of Donations (the Donations Policy). All donations are screened, monitored and evaluated in accordance with the Donations Policy which includes due diligence and ethical screening on donors and sources of funds. The University has not received any complaints regarding its fundraising activity.

The University has, within the Donations Policy, governance arrangements to minimise the potential for individual benefit occurring.

Research impact

Research excellence and innovation are integral to our activities and we seek to address fundamental and strategically important questions and to deliver economic, social and cultural impact. We aim to provide a flourishing and dynamic research culture and to continue to build on our research strengths in selected disciplines and cross-disciplinary themes, which inform our learning and teaching, collaboration with partners and knowledge exchange.

Our research continues to provide significant impact outside of the University and we work with a wide range of partners.

Examples of research activity in 2016-17 include:

- > the Doctoral Training Alliance led by the University Alliance has been expanded to include opportunities in applied biosciences for health, energy and social policy. These postgraduate programmes are designed to respond to the industry needs of the future. Teesside University is also part of the new North East and Northern Ireland Doctoral Training Partnership, which is funded by the Economic & Social Research Council. This will provide PhD studentship funding in key areas of the social sciences. The Heritage Consortium, funded by the Arts and Humanities Research Council, recently received high praise for its new, ambitious and evolving doctoral training provision across the UK in the arts and humanities and continues to provide doctoral opportunities working with strategic partners, heritage providers and local organisations

- > a new Health Innovation Centre (HIC) partnership was launched in 2016-17, a collaboration between Teesside University and TWI in Cambridge. The HIC aims to undertake interdisciplinary research to develop new interventions, tools and therapies for health and social care

- > the School of Computing, Media & the Arts continues to develop its strengths in systems biology, the computational modelling of complex biological systems. Several projects have been delivered this year, working with industry partners to explore the potential of this interdisciplinary research field

- > the Horizon 2020 project Integrated Smart GRID Cross-Functional Solutions for Optimized Synergetic Energy Distribution, Utilization Storage Technologies (inteGRIDy) began in January 2017 with the aim of integrating cutting-edge technologies and mechanisms to connect energy networks with diverse stakeholders, fostering the stability and coordination of distributed energy resources. The School of Science, Engineering & Design leads the Teesside work in a collaboration with 30 partners across Europe

- > a member of staff has been awarded a prestigious National Institute of Health Research Knowledge Mobilisation Research Fellowship to improve the use of research evidence in the commissioning of health services for young children (0-2 years old) in the North East of England

- > Cleveland Police and the School of Social Sciences, Humanities & Law have established a new Evidence-Based Practice Clinic to drive forward the strategic approach required to design, build and sustain evidence-based policing across the Cleveland force area. This will require the establishment of innovative approaches and partnerships capable of driving cultural change, building acceptance for evidence-based working and delivering systematic changes to organisational design and development

- > in collaboration with the University of Hertfordshire the University has been awarded an AHRC grant to establish how national programmes of commemoration – both British and Irish – impact on the way and extent to which different generations of Irish and Irish diaspora families engage with or feel excluded from the process of commemoration.

Board of Governors

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

Independent Members

Dr Jane Atkinson
 Mr Robin Bloom
 Mr Paul Booth OBE
 Mr Bob Cuffe
 Mr Chris Fleetwood (Treasurer)
 Mr John Irwin (retired 27 January 2017)
 Ms Shahda Khan MBE
 Ms Sue Kiddle
 Mr Edward Kunonga (retired 26 May 2017)
 Mr Alastair MacColl (Chairman and Pro-Chancellor)
 Ms Siobhan McArdle
 Mr Dermot Russell
 Ms Amanda Skelton (retired 27 January 2017)
 Mr Steve Tonks
 Mr Alastair Waite (retired 27 January 2017)
 Mr Ian Wardle
 Mr Godfrey Worsdale

Vice-Chancellor and Chief Executive

Professor Paul Croney

Staff and Student Representatives

Mr Matthew Atkin (appointed 7 July 2017, resigned 20 August 2017)
 Mr Dann Cooley (appointed 26 May 2017)
 Mr David Eagle (retired 16 September 2016)
 Dr Kate Gillen (appointed 22 September 2017)
 Mr Adam Howe (retired 7 July 2017)
 Ms Jill Morgan (retired 27 May 2017)
 Ms Helen Page (appointed 16 September 2016)
 Mr Tom Platt (appointed 7 July 2017)
 Ms Amy Preston (appointed 22 September 2017)
 Ms Bruna Silva (retired 7 July 2017)
 Mrs Beverly Simpson (resigned 31 December 2016)

Co-opted Members

Ms Ada Burns (appointed 27 January 2017)
 Mr James Cross (appointed 27 January 2017)
 Mr John Hogg
 Professor Philip Jones

Secretary to the Board of Governors

Mrs Helen Cutting (appointed 12 June 2017)
 Mr Malcolm Page (appointed 1 September 2016, resigned 11 June 2017)
 Mr Simon Walker (resigned 31 August 2016)

Statement of Corporate Governance and Internal Control for the year ended 31 July 2017

Corporate Governance Statement

Teesside University is an independent institution, established as a higher education corporation under the terms of the Education Reform Act 1988 and granted University title and associated powers in the Further and Higher Education Act 1992. The University is also an exempt charity under schedule 3 of the Charities Act 2011, with the Higher Education Funding Council for England acting 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) HE Code of Governance, published in December 2014, and has complied with the seven primary elements of that code throughout the year.

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

Summary of the University's Structure of Corporate Governance

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

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

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

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

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

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

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

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

The Student Experience Committee advises the Board of Governors on a number of student-related matters.

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

The Board of Governors follows the principles of the CUC Code of Governance in reviewing its own effectiveness, evidenced by a recent review of Board Effectiveness in early 2017 by the University's internal auditors.

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 Memorandum of Assurance and Accountability with the HEFCE.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, 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 HEFCE guidance, has been in place for the year ended 31 July 2017 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, comprehensive Financial Regulations which detail financial controls and procedures and a Scheme of Delegation which identifies where authority rests within the University for significant decisions made in the name of or on behalf of the University.

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

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

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

*by the University Executive Team, the Audit Committee and the Board of Governors.

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 CUC Higher Education Code of Governance, which are set out below:

- 1.1 To approve the mission and strategic vision of the institution, 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 as 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 Memorandum of Assurance and Accountability issued by HEFCE 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 Memorandum of Assurance and Accountability further requires the financial statements to be prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of HEFCE's Accounts Direction to higher education institutions. 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 adequate accounting records that are sufficient to show and explain the parent University's transactions and disclose with reasonable accuracy at any time the financial position of the parent University and enable the Board to ensure that its financial statements comply with relevant legislation and other relevant accounting standards. 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.

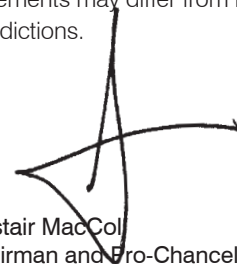
The Board of Governors is also responsible under the Memorandum of Assurance and Accountability for:

- ensuring that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability and any other conditions which HEFCE may from time to time prescribe;
- ensuring that 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 2017 which comprise the Consolidated and University Statements of Comprehensive Income and Expenditure, the Consolidated and University Statements of Changes in Reserves, the Consolidated and University Balance Sheets, the Statements of Consolidated and University 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 2017, 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 HEFCE's Accounts Direction to higher education institutions for 2016-17 financial statements.

Basis for opinion

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

Going concern

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

Other information

The Board of Governors is responsible for the other information, which comprises the Annual Report including the Strategic Review and Corporate Governance Statement. 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 36, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS


We are required to report on the following matters under the HEFCE Audit Code of Practice (effective 1 August 2016) 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 HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

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

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



**Rachel Fleming (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

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

17 November 2017

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 (FRS102).

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

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

Basis of Consolidation

The consolidated financial statements include the University, all its subsidiaries and the Friends of the University of Teesside Trust for the financial year to 31 July 2017. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. 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.

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 funding council block 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's subsidiaries are liable to corporation tax in the same way as any other commercial organisation.

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

All UK subsidiary companies are liable to VAT in the same way as any other commercial organisation except that any accredited education or training provided by a university subsidiary is an exempt supply of education.

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.

Finance Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance leases and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating Leases

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

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.

Fixed Assets

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

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

Land and buildings

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

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

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

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

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

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

Equipment

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

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

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

Heritage Assets

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

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

Investment Properties

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

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

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

Investments

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

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

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

Stock

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

Borrowing Costs

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

Cash and Cash Equivalents

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

Intra-group Transactions

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

Provisions

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

Accounting for Retirement Benefits

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

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

Defined Benefit Retirement Plan

Defined benefit retirement plans are post-employment benefit plans other than defined contribution retirement plans. Under defined benefit retirement plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less

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

Financial Instruments

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

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

Investments

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

Short term debtors and creditors

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

Loan notes

Loan notes which are basic financial instruments are initially recorded at the transaction price, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

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 2017 are documented in note 27.

Valuation of land

The University holds significant value in land. The valuation of the University's land as at 1 August 2014 is based on a report from an independent Chartered Surveyor. Due to the nature of valuations there is an element of subjectivity and judgement involved in these valuations.

Valuation of investment property

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

Recoverability of debtors

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

Consolidated and University Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees and education contracts	1	102,321	101,816	95,792	95,376
Funding Council grants	2	13,740	13,740	13,983	13,983
Research grants and contracts	3	2,558	2,499	3,003	2,998
Other income	4	15,849	17,173	16,950	17,323
Investment income	5	313	306	377	366
Donations and endowments	6	275	275	–	–
Total income		135,056	135,809	130,105	130,046
Expenditure					
Staff costs	7	83,359	83,267	80,260	80,197
Other operating expenses		38,480	39,344	38,516	38,550
Depreciation	11	7,706	7,706	6,118	6,118
Interest and other finance costs	8	1,580	1,580	1,280	1,280
Total expenditure	9	131,125	131,897	126,174	126,145
Surplus before other gains		3,931	3,912	3,931	3,901
Gain on investments		1	1	7	7
Surplus before tax		3,932	3,913	3,938	3,908
Taxation	10	–	–	(47)	(47)
Surplus for the year after tax		3,932	3,913	3,891	3,861
Appreciation on endowment asset investments		21	21	–	–
Actuarial gain/(loss) in respect of pension schemes	27	26,922	26,922	(26,969)	(26,969)
Total comprehensive income/(expenditure) for the year		30,875	30,856	(23,078)	(23,108)
Represented by					
Endowment comprehensive income for the year		24	24	6	6
Unrestricted comprehensive income/(expenditure) for the year		30,851	30,832	(23,084)	(23,114)
		30,875	30,856	(23,078)	(23,108)

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of Changes in Reserves

Year Ended 31 July 2017

Consolidated

	Income and expenditure account		Revaluation reserve	Total
	Endowment £000	Unrestricted £000	£000	£000
Balance at 1 August 2015	249	101,412	21,999	123,660
Surplus from the income and expenditure statement	6	3,885	–	3,891
Other comprehensive expenditure	–	(26,969)	–	(26,969)
Transfers between revaluation and income and expenditure reserve	–	631	(631)	–
Total comprehensive income/ (expenditure) for the year	6	(22,453)	(631)	(23,078)
Balance at 31 July 2016	255	78,959	21,368	100,582
Balance at 1 August 2016	255	78,959	21,368	100,582
Surplus from the income and expenditure statement	3	3,929	–	3,932
Other comprehensive expenditure	21	26,922	–	26,943
Transfers between revaluation and income and expenditure reserve	–	632	(632)	–
Total comprehensive income/ (expenditure) for the year	24	31,483	(632)	30,875
Balance at 31 July 2017	279	110,442	20,736	131,457

Consolidated and University Statement of Changes in Reserves (continued)

Year Ended 31 July 2017

University

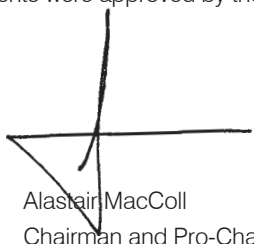
	Income and expenditure reserve		Revaluation reserve	Total
	Endowment £000	Unrestricted £000	£000	£000
Balance at 1 August 2015	249	100,865	21,999	123,113
Surplus from the income and expenditure statement	6	3,855	–	3,861
Other comprehensive income	–	(26,969)	–	(26,969)
Transfers between revaluation and income and expenditure reserve	–	631	(631)	–
Total comprehensive income/ (expenditure) for the year	6	(22,483)	(631)	(23,108)
Balance at 31 July 2016	255	78,382	21,368	100,005
Balance at 1 August 2016	255	78,382	21,368	100,005
Surplus from the income and expenditure statement	3	3,910	–	3,913
Other comprehensive expenditure	21	26,922	–	26,943
Transfers between revaluation and income and expenditure reserve	–	632	(632)	–
Total comprehensive income/ (expenditure) for the year	24	31,464	(632)	30,856
Balance at 31 July 2017	279	109,846	20,736	130,861


Consolidated and University Balance Sheet

Year Ended 31 July 2017

	Notes	As at 31 July 2017		As at 31 July 2016	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Fixed assets	11	157,168	157,411	153,879	154,122
Heritage assets	12	286	286	83	83
Investment property	13	2,150	2,150	2,150	2,150
Non-current investments	14	230	275	216	261
		159,834	160,122	156,328	156,616
Current assets					
Stock		76	76	84	84
Trade and other receivables	15	12,082	13,371	9,958	10,983
Current investments	16	24,000	24,000	38,000	38,000
Cash and cash equivalents	22	23,693	22,937	4,019	3,022
		59,851	60,384	52,061	52,089
Less: Creditors – amounts falling due within one year	17	(27,821)	(29,238)	(25,624)	(26,517)
Net current assets		32,030	31,146	26,437	25,572
Total assets less current liabilities					
		191,864	191,268	182,765	182,188
Creditors – amounts falling due after more than one year	18	(15,307)	(15,307)	(15,147)	(15,147)
Provisions for liabilities	20	(45,100)	(45,100)	(67,036)	(67,036)
Total net assets		131,457	130,861	100,582	100,005
Restricted reserves					
Income and expenditure reserve – endowment reserves	21	279	279	255	255
Unrestricted reserves					
Income and expenditure reserve – unrestricted		110,442	109,846	78,959	78,382
Revaluation reserve		20,736	20,736	21,368	21,368
Total reserves		131,457	130,861	100,582	100,005

The financial statements were approved by the Board of Governors on 17 November 2017 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 and University Cash Flows

Year Ended 31 July 2017

	Notes	Year ended 31 July 2017		Year ended 31 July 2016	
		Consolidated £000	University £000	Consolidated £000	University £000
Cash flow from operating activities					
Surplus for the year		3,932	3,913	3,891	3,861
Adjustment for non-cash items					
Depreciation	11	7,706	7,706	6,118	6,118
Gain on sale of fixed assets		(13)	(13)	–	–
Gain on investments		(1)	(1)	(7)	(7)
Decrease/(increase) in stock		8	8	(4)	(4)
(Increase)/decrease in debtors		(2,182)	(2,446)	2,310	2,422
Increase/(decrease) in creditors		1,967	2,491	(170)	(276)
(Decrease)/increase in pension provision		(478)	(478)	559	559
Excess of pension costs over contributions paid		5,464	5,464	2,013	2,013
Receipt of donated heritage assets		(128)	(128)	–	–
Adjustment for investing or financing activities					
Investment income	5	(309)	(302)	(373)	(362)
Interest payable	8	21	21	37	37
Endowment income	5	(4)	(4)	(4)	(4)
Capital grant income		(1,090)	(1,090)	(1,135)	(1,135)
Net cash inflow from operating activities		14,893	15,141	13,235	13,222
Cash flows from investing activities					
Proceeds from the sale of fixed assets		13	13	–	–
Capital grant receipts		1,195	1,195	1,425	1,425
Disposal of non-current asset investments		13	13	13	13
Withdrawal/(increase) of deposits		14,000	14,000	(11,500)	(11,500)
Investment income		367	360	367	356
Payments made to acquire fixed assets		(10,611)	(10,611)	(24,303)	(24,302)
Payments made to acquire heritage assets		(75)	(75)	–	–
New non-current asset investments		(5)	(5)	(15)	(31)
		4,897	4,890	(34,013)	(34,039)
Cash flows from financing activities					
Interest paid		(20)	(20)	(38)	(38)
Endowment cash received		4	4	4	4
Repayments of amounts borrowed		(100)	(100)	(100)	(100)
		(116)	(116)	(134)	(134)
Increase/(decrease) in cash and cash equivalents in the year	22	19,674	19,915	(20,912)	(20,951)
Cash and cash equivalents at beginning of the year		4,019	3,022	24,931	23,973
Cash and cash equivalents at end of the year		23,693	22,937	4,019	3,022

Notes to the Financial Statements

1 Tuition Fees and Education Contracts

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	64,883	64,883	56,948	56,948
International students	7,924	7,924	8,352	8,352
Part-time students	9,279	9,279	10,189	10,189
Education contracts	20,235	19,730	20,303	19,887
	102,321	101,816	95,792	95,376

2 Funding Council Grants

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated and University £000		Consolidated and University £000	
Recurrent grant received from HEFCE	12,016		11,742	
Specific grants				
Higher Education Innovation Fund	962		986	
Postgraduate Support Scheme	–		350	
Capital Grants	553		630	
Other	209		275	
	13,740		13,983	

3 Research Grants and Contracts

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Research Councils	427	427	338	338
UK-based charities	362	362	246	246
UK central government	627	591	1,238	1,233
UK Health Service	271	271	312	312
European Commission	490	490	521	521
Other grants and contracts	381	358	348	348
	2,558	2,499	3,003	2,998

4 Other Income

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Residences, catering and conferences	5,169	5,169	4,894	4,894
Other revenue grants	4,283	4,283	4,929	4,929
Other capital grants	537	537	505	505
Other income	5,860	7,184	6,622	6,995
	15,849	17,173	16,950	17,323

5 Investment Income

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Investment income on endowments	4	4	4	4
Other investment income	309	302	373	362
	313	306	377	366

6 Donations and Endowments

	Year ended 31 July 2017	Year ended 31 July 2016
	Consolidated and University £000	Consolidated and University £000
Donations	275	–

7 Staff

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Staff costs				
Salaries	61,855	61,764	61,262	61,207
Social security costs	6,191	6,190	5,344	5,336
Movement on USS Provision	(67)	(67)	226	226
Movement on enhanced pensions provision	(162)	(162)	572	572
Other pension costs (note 27)	12,919	12,919	9,943	9,943
Restructuring costs	2,623	2,623	2,913	2,913
	83,359	83,267	80,260	80,197

Emoluments of the Vice-Chancellor

	Year ended 31 July 2017 Consolidated and University £	Year ended 31 July 2016 Consolidated and University £
Salary	212,310	210,000
Car allowance	9,000	9,000
Non-consolidated bonus	31,846	32,850
Benefit in kind	3,883	3,773
	257,039	255,623
Pension costs	34,989	34,192
	292,028	289,815

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

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

	Year ended 31 July 2017 Consolidated and University number	Year ended 31 July 2016 Consolidated and University number
£100,000 - £109,999	3	2
£110,000 - £119,999	2	2
£120,000 - £129,999	2	–
£130,000 - £139,999	1	–
£140,000 - £149,999	1	–
£180,000 - £189,999	1	1

Compensation for loss of office of £124,839 (2016 - £86,249 (one employee)) was paid to one employee earning in excess of £100,000.

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

	Year ended 31 July 2017 Consolidated University number number		Year ended 31 July 2016 Consolidated University number number	
Academic and research	748	748	744	744
Administrative and technical	783	777	786	782
Other	140	140	135	135
	1,671	1,665	1,665	1,661

Key management personnel

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

	Year ended 31 July 2017 Consolidated and University £000	Year ended 31 July 2016 Consolidated and University £000
Key management personnel compensation	1,601	1,444

8 Interest and Other Finance Costs

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated and University		Consolidated and University	
	£000		£000	
Loan interest	21		37	
Net charge on pension schemes	1,559		1,243	
	1,580		1,280	

9 Analysis of Total Expenditure by Activity

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£000		£000	
Academic departments	62,350	62,350	62,328	62,328
Academic services	22,113	22,119	21,307	21,318
Research grants and contracts	2,734	2,705	2,884	2,884
Residences, catering and conferences	3,660	3,660	4,228	4,228
Premises	12,598	12,598	11,047	11,047
Administration	16,657	16,657	15,394	15,394
Other	11,013	11,808	8,986	8,946
	131,125	131,897	126,174	126,145

Other operating expenses include

External auditor's remuneration in respect of audit services	49	57
External auditor's remuneration in respect of non-audit services	35	33

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.

The tax charge for the year ended 31 July 2016 arose from the claim for Research and Development Expenditure Credits (RDEC).

	Year ended 31 July 2017		Year ended 31 July 2016	
	Consolidated	University	Consolidated	University
	£000		£000	
Current tax				
UK Corporation tax of 20% on surplus for the year	–	–	47	47
Factors affecting the tax charge				
Surplus before taxation	3,932	3,913	3,938	3,908
Surplus multiplied by the standard rate of corporation tax in the UK of 19.7% (2016: 20%)	775	771	788	782
Surplus falling within charitable exemption	(775)	(771)	(741)	(735)
Current tax charge	–	–	47	47

11 Fixed Assets

	Freehold land	Freehold buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
Consolidated	£000	£000	£000	£000	£000	£000
Cost						
At 1 August 2016	13,837	173,363	6,854	297	29,966	224,317
Additions in year	–	5,028	2,142	–	3,825	10,995
Transfers in year	–	6,650	(6,806)	–	156	–
Disposals in year	–	–	–	(49)	–	(49)
Written off in year	–	–	–	–	(2,273)	(2,273)
At 31 July 2017	13,837	185,041	2,190	248	31,674	232,990
Consisting of: Valuation as at:						
31 July 1997	–	45,082	–	–	–	45,082
31 July 1998	–	1,999	–	–	–	1,999
31 July 2014	13,830	–	–	–	–	13,830
Cost	7	137,960	2,190	248	31,674	172,079
	13,837	185,041	2,190	248	31,674	232,990
Depreciation						
At 1 August 2016	–	49,160	–	164	21,114	70,438
Charge for the year	–	5,884	–	31	1,791	7,706
Disposals in year	–	–	–	(49)	–	(49)
Written off in year	–	–	–	–	(2,273)	(2,273)
At 31 July 2017	–	55,044	–	146	20,632	75,822
Net Book Value						
At 31 July 2017	13,837	129,997	2,190	102	11,042	157,168
At 31 July 2016	13,837	124,203	6,854	133	8,852	153,879

11 Fixed Assets continued

	Freehold land	Freehold buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
University	£000	£000	£000	£000	£000	£000
Cost						
At 1 August 2016	13,837	173,726	6,854	297	28,611	223,325
Additions in year	–	5,028	2,142	–	3,825	10,995
Transfers in year	–	6,650	(6,806)	–	156	–
Disposals in year	–	–	–	(49)	–	(49)
Written off in year	–	–	–	–	(2,273)	(2,273)
At 31 July 2017	13,837	185,404	2,190	248	30,319	231,998
Consisting of:						
Valuation as at:						
31 July 1997	–	45,082	–	–	–	45,082
31 July 1998	–	1,999	–	–	–	1,999
31 July 2014	13,830	–	–	–	–	13,830
Cost	7	138,323	2,190	248	30,319	171,087
	13,837	185,404	2,190	248	30,319	231,998
Depreciation						
At 1 August 2016	–	49,160	–	164	19,879	69,203
Charge for the year	–	5,884	–	31	1,791	7,706
Disposals in year	–	–	–	(49)	–	(49)
Written off in year	–	–	–	–	(2,273)	(2,273)
At 31 July 2017	–	55,044	–	146	19,397	74,587
Net Book Value						
At 31 July 2017	13,837	130,360	2,190	102	10,922	157,411
At 31 July 2016	13,837	124,566	6,854	133	8,732	154,122

Asset revaluations

The majority of buildings held at 31 July 1997 were revalued at that date by Storey Sons & Parker, Chartered Surveyors. The basis of valuation was a combination of depreciated replacement cost and open market value for existing use and the valuation has not been updated. Certain properties, which in the opinion of the Governors, have had a permanent diminution in value due to a significant reduction in use by the University and have a value substantially less than their depreciated replacement cost have been separately valued by the University at 31 July 1997 and 31 July 1998.

The University opted not to adopt a policy of revaluations on these properties from the year ended 31 July 2000.

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

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

	31 July 2017		31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Cost	166,909	167,213	155,231	155,535
Accumulated depreciation and impairment	(43,111)	(43,111)	(37,859)	(37,859)
	123,798	124,102	117,372	117,676

12 Heritage Assets

Consolidated and University	£000
Cost at 1 August 2016	83
Additions in year	203
Cost at 31 July 2017	286

Heritage assets comprise works of art acquired by mima.

13 Investment Property

Consolidated and University	£000
Valuation as at 31 July 2017 and 31 July 2016	2,150

The investment property, which is freehold, was revalued to market value as at 31 July 2016, by Matthew Clarke BSc (Hons), DipSurv, MRICS, for and on behalf of Sanderson Weatherall LLP, an independent valuer with recent experience in the location and class of investment property being valued.

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

The valuation has been updated at 31 July 2017 by senior management at the University.

14 Non-Current Investments

	Other Fixed Asset Investments		
	Cost £000	Valuation £000	Total £000
Consolidated			
At 1 August 2016	30	186	216
Additions in year	–	5	5
Disposals in year	–	(12)	(12)
Appreciation	–	21	21
At 31 July 2017	30	200	230

	Other Fixed Asset Investments		Subsidiary companies £000	Total £000
	Cost £000	Valuation £000		
University				
At 1 August 2016	30	186	45	261
Additions in year	–	5	–	5
Disposals in year	–	(12)	–	(12)
Appreciation	–	21	–	21
At 31 July 2017	30	200	45	275

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

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

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

Other non-current investments consist of:

Consolidated and University	£000
Cost as at 31 July 2017 and 31 July 2016	
CVCP Properties plc	30

The University is a shareholder in CVCP Properties plc together with other University members of Universities UK. CVCP Properties plc's principal asset is Universities UK's headquarters, Woburn House. The total issued ordinary share capital of CVCP Properties plc is £4.3m.

Other fixed asset investments at valuation comprise:

	31 July 2017 Consolidated and University	31 July 2016 Consolidated and University
	£000	£000
Equities	170	156
Cash held within investment portfolio	30	30
	200	186

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

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

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
Chemicam Limited	Ordinary shares	20%	Visible wavelength hyperspectral imaging for the positive identification of blood
Teegene Biotech Limited	Ordinary shares	20%	Extraction of high-value chemicals from algae, plants to micro-organisms for production of biosurfactants

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 2017		31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year				
Trade receivables	4,214	3,976	3,966	3,826
Amounts due from subsidiary companies	–	3,846	–	2,888
Prepayments and accrued income	7,868	5,549	5,992	4,269
	12,082	13,371	9,958	10,983

16 Current investments

	31 July 2017 Consolidated and University	31 July 2016 Consolidated and University
	£000	£000
Short-term deposits	24,000	38,000

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 2017 the weighted average interest rate of these fixed rate deposits was 0.77% and the remaining weighted average period for which the interest rate is fixed on these deposits was 264 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 2017		31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Secured loans	100	100	100	100
Payments received on account	6,481	5,358	6,054	5,823
Trade payables	7,470	7,451	6,372	6,320
Social security and other taxation payable	1,836	1,833	1,732	1,732
Accruals and deferred income	11,934	11,881	11,366	11,351
Amounts due to subsidiary companies	–	2,615	–	1,191
	27,821	29,238	25,624	26,517

18 Creditors – amounts falling due after more than one year

	31 July 2017	31 July 2016
	Consolidated and University £000	Consolidated and University £000
Secured loans	183	283
Deferred income - government capital grants	15,124	14,864
	15,307	15,147

19 Analysis of secured loans

	31 July 2017	31 July 2016
	Consolidated and University £000	Consolidated and University £000
Due within one year	100	100
Due between one and two years	100	100
Due between two and five years	83	183
Total secured loans	283	383

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 2017 the amount of the loan outstanding was £3,250,000 (31 July 2016: £3,792,000) with at least the equivalent amount being held on deposit by the bank. The interest rate charged on the loan is 0.25% above Bank of England Base Rate.

20 Provisions for Liabilities

	Defined benefit obligation	Enhanced pensions	Obligation to fund deficit on USS pension	Total
Consolidated and University	£000	£000	£000	£000
At 1 August 2016	61,205	5,301	530	67,036
Utilised in year	–	(380)	–	(380)
Reduction in year	(21,458)	(41)	(57)	(21,556)
At 31 July 2017	39,747	4,880	473	45,100

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 27.

Enhanced pensions

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

	31 July 2017	31 July 2016
Price inflation	2.0%	1.8%
Discount rate	2.6%	2.4%

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:

	Restricted Expendable £000	Restricted Permanent £000	2017 Total £000	2016 Total £000
Consolidated and University				
At 1 August 2016				
Capital	39	98	137	130
Accumulated income	3	115	118	119
	42	213	255	249
Investment income	–	5	5	4
Expenditure	–	(2)	(2)	(5)
Increase in market value of investments	–	21	21	7
Total endowment comprehensive income for the year	–	24	24	6
At 31 July 2017	42	237	279	255
Represented by				
Capital	39	119	158	137
Accumulated income	3	118	121	118
	42	237	279	255
Analysis by type of purpose:				
Lectureships	11	–	11	11
Prize funds	13	1	14	15
Scholarships and bursaries	18	32	50	49
Research support	–	204	204	180
	42	237	279	255
Analysis by asset:	31 July 2017 £000	31 July 2016 £000		
Non-current investments	200	186		
Cash and cash equivalents	79	69		
	279	255		

22 Cash and Cash Equivalents

	At 1 August 2016 £000	Cash flows £000	At 31 July 2017 £000
Consolidated			
Cash and cash equivalents	4,019	19,674	23,693
University			
Cash and cash equivalents	3,022	19,915	22,937

23 Capital and other Commitments

	31 July 2017 Consolidated and University £000	31 July 2016 Consolidated and University £000
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted for	4,630	3,895

24 Lease Obligations

Total rentals payable under operating leases

	Land and buildings £000	31 July 2017 Plant and machinery £000	Total £000	31 July 2016 Total £000
Consolidated and University				
Payable during the year	558	142	700	937
Future minimum lease payments due:				
Not later than 1 year	168	35	203	564
Later than 1 year and not later than 5 years	–	199	199	179
Total lease payments due	168	234	402	743

25 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	2016-17		2015-16	
		Income/ (expense) £000	Amount due to/(from) £000	Income/ (expense) £000	Amount due to/(from) £000
BE Group	Executive Director and Chairman is a Governor	(56)	–	(38)	–
Darlington Council	Chief Executive is a Governor	2 (88)	– –	– –	– –
Middlesbrough Council	Principal Cohesion Officer and Director of Public Health are Governors	616 (784)	19 –	609 (1,565)	1 (12)
Middlesbrough Football Club Foundation	Director and Trustee is a Governor	7 (13)	– –	(9) –	– –
Rockliffe Hall Ltd	Director and Company Secretary is a Governor	(2)	–	(3)	–
South Tees Hospital NHS Foundation Trust	Chief Executive is a Governor	6 (278)	120 –	35 (323)	– –
Tees Valley Combined Authority	Chair is a Governor	239	–	8	–
Teesside University Students' Union	Trustee and President are Governors	12 (1,322)	10 –	386 (1,387)	9 –
Thirteen Group	Chief Executive is a Governor	(2)	–	2 (6)	–
Trinity Mirror Publishing (Gazette Media)	Regional Managing Director is a Governor	(1,475)	–	(26)	–

No Board member has received any remuneration or has waived payments from the Group during the year (2016 – none).

The total expenses paid to or on behalf of six Board members was £1,646 (2016 - £1,097 to two Board members).

The President of Teesside University Students' Union (TUSU) is a member 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 £1,322,000 (2016: £1,291,000).

26 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 2017		31 July 2016	
	Consolidated £000	University £000	Consolidated £000	University £000
Financial assets				
Equities and investment funds	200	200	186	186
Trade and other receivables	4,214	7,822	3,966	6,714
Long-term cash deposits	24,000	24,000	38,000	38,000
Cash and cash equivalents	23,693	22,937	4,019	3,022
	52,107	54,959	46,171	47,922
Financial liabilities				
Loans	283	283	383	383
Trade and other payables	7,470	10,066	6,372	7,511
	7,753	10,349	6,755	7,894

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

Risk management

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

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 2017, 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 student base being large and diverse.

Liquidity risk

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

Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds. The group policy is to maintain a minimum liquidity of up to £40m and invest excess funds for maturity of no more than 12 months. At 31 July 2017, 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 264 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 insignificant portion of total income and expenditure. At 31 July 2017, the sterling equivalent of all euro bank balances was £1.1m (2016: £0.3m).

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 (i.e. price risk) or changes in interest income or expenses (i.e. re-investment risk).

The group's main financing relates to two loans with a total amount outstanding of £3.5m (2016: £4.2m). Interest is charged at margins above base rate and LIBOR. At 31 July 2017, 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 2017.

27 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 2017 11 members (2016: ten) of staff were members of the Universities Superannuation Scheme.

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

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
TPS	4,904	4,890
TPF including FRS 102 adjustments	7,903	4,948
Other pension schemes	112	105
Total Pension Cost (note 7)	12,919	9,943

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

	TPS	TPF	
		1 August 2016 to 31 March 2017 (2013 Valuation)	1 April 2017 to 31 July 2017 (2016 Valuation)
Investment returns per annum	6.5%	5.4%	4.7%
Salary scale increase per annum	4.4%	3.9%	3.0%
Pension increase per annum	2.9%	2.4%	2.0%
Market value of assets at date of last valuation	£115,800m	£2,956m	£3,133m
MFR proportion of members' accrued benefits covered by the actuarial value of the assets	99.5%	101%	100%

Basic employer contribution rates used during the year to 31 July 2017:

	TPS	TPF
1 August 2016 to 31 March 2017	16.48%	13.3%
1 April 2017 to 31 July 2017	16.48%	14.3%

27 Pension Schemes continued

Teachers' Pension Scheme

The TPS is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014.

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- with effect from 1 September 2015 new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%)
- total scheme liabilities for service to the effective date of £191.5 bn, and notional assets of £176.6 bn, giving a notional past service deficit of £14.9 bn
- an employer cost cap of 10.9% of pensionable pay.

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

Scheme changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £4,904,000 (2016: £4,890,000).

FRS 102 (28)

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.

27 Pension Schemes continued

Teesside Pension Fund

Introduction

The disclosures below relate to the funded liabilities within the TPF.

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

Funding/Governance Arrangements of the TPF

The funded nature of the TPF requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The total contributions made for the year ended 31 July 2017 were £5,651,000, of which employer's contributions totalled £3,862,000 and employees' contributions totalled £1,789,000.

During the year, the University's contribution rate was 13.3% from 1 August 2016 to 31 March 2017 and thereafter 14.3% to 31 July 2017. 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 employers' contribution rate remains at unchanged. In addition, the University is required to make an additional monetary contribution which for the year ended 31 July 2017 was £282,000.

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.

27 Pension Schemes continued

Principal Actuarial Assumptions

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

	At 31 July 2017	At 31 July 2016
	%	%
Rate of increase in salaries	2.0	1.8
Future pensions increases	2.0	1.8
Discount rate for scheme liabilities	2.6	2.4
Inflation assumption (CPI)	2.0	1.8

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

The assumed life expectancies on retirement age 65 are:

	At 31 July 2017	At 31 July 2016
	years	years
Retiring today		
Males	22.8	23.1
Females	24.9	25.6
Retiring in 20 years		
Males	25.0	25.3
Females	27.2	28.0

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

	At 31 July 2017	At 31 July 2016
	Share of the assets	Share of the assets
	%	%
Equities	79.1	84.9
Gilts	–	1.5
Other bonds	0.1	0.8
Property	6.4	7.7
Cash	12.8	5.1
Other	1.6	–
	100	100

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

Assumption	Change in Assumption	Impact on fund deficit
Discount rate	Decrease by 0.1%	Increase by £4.6m
Rate of salary growth	Increase by 0.1%	Increase by £1.1m
Rate of increase to pensions in payment	Increase by 0.1%	Increase by £3.4m
Members live longer than assumed	One year longer	Increase by £6.3m

27 Pension Schemes continued

	At 31 July 2017 £000	At 31 July 2016 £000
Analysis of amounts shown in balance sheet		
Fair value of Fund assets	172,757	144,741
Present value of Fund liabilities	(212,504)	(205,946)
Deficit in the scheme recorded within provisions (note 20)	(39,747)	(61,205)
	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Amounts included in staff costs		
Current service cost	7,900	4,525
Past service cost	3	423
	7,903	4,948
Amounts included in interest and other finance costs		
Net interest cost	1,423	1,089
Amount recognised in Other Comprehensive Income		
Asset gains arising during the year	22,789	7,714
Experience gains/(losses) on liabilities	4,133	(34,683)
	26,922	(26,969)
Deficit at 1 August	(61,205)	(32,223)
Movement in year:		
Current service cost	(7,900)	(4,525)
Employer contributions	3,862	4,024
Past service cost	(3)	(423)
Net interest on defined liability	(1,423)	(1,089)
Actuarial gains/(losses)	26,922	(26,969)
Deficit at 31 July	(39,747)	(61,205)
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	205,946	163,196
Current service cost	7,900	4,525
Interest cost	4,919	5,829
Contributions by scheme participants	1,789	1,714
Actuarial (gains)/losses	(4,133)	34,683
Benefits paid less individual transfers in	(3,920)	(4,424)
Past service cost	3	423
Defined benefit obligations at end of period	212,504	205,946

27 Pension Schemes continued

Changes in the fair value of fund assets

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Fair value of fund assets at start of period	144,741	130,973
Interest on fund assets	3,496	4,740
Actuarial gains	22,789	7,714
Contribution by the employer	3,862	4,024
Contributions by scheme participants	1,789	1,714
Benefits paid	(3,920)	(4,424)
Fair value of fund assets at end of period	172,757	144,741

History of experience gains and losses

	2017	2016	2015	2014*	2013*
Difference between actual and expected return on fund assets:					
Amount (£000)	22,789	7,714	4,560	(13,006)	14,023
Percentage of scheme assets	13.2%	5.3%	3.5%	(10.9%)	11.5%
Experience gains/(losses) on fund liabilities					
Amount (£000)	4,133	(34,683)	545	(5,732)	(131)
Percentage of the present value of fund liabilities	1.9%	(16.8%)	(0.3%)	(3.7%)	(0.1%)

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

Actual return on fund assets

	Year ended 31 July 2017 £000	Year ended 31 July 2016 £000
Interest income on fund assets	3,496	4,740
Actuarial gains on assets	22,789	7,714
	26,285	12,454

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

