Governors' Report and Financial Statements

2002-2003

UNIVERSITY OF
TEESSIDE

Governors' Report and Financial Statements

2002-2003

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BOARD OF GOVERNORS

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Mr Jonathan Blackie
Mrs Margaret Fay
Mr John R Foster
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Mr Ernie EJ Haidon
Dr Iftikhar Lone
Mr Christopher Lord
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Mr Tom Shovlin
His Honour Judge Leslie Spittle
Sir Ian Wrigglesworth (resigned 13 December 2002)

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Mrs Pam Eccles
Mr Neil Etherington
Mr John E Foster (resigned 13 December 2002)
Mr John Irwin
Mr Eric Lloyd
Dr Gus Montgomery
Mrs Alison Thain (appointed 18 July 2003)
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Professor Dianne Willcocks

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Dr Barbara L McGuinness

Student Member

Mr Martin Ings

Vice-Chancellor and Chief Executive

Professor Graham Henderson (appointed 1 April 2003)
Professor Derek Fraser (retired 31 March 2003)

Secretary

Mr J Morgan McClintock

REPORT OF THE BOARD OF GOVERNORS

The Board of Governors submits the Annual Report and audited financial statements for the year ended 31 July 2003.

Constitution and Activities

The University is a Higher Education Corporation as defined under the Education Reform Act 1988 ('the Act').

The powers of Higher Education Corporations are defined in Section 124 of the Act and include the power to provide higher and further education and to carry out research and publish the results of the research as the University thinks fit.

The University was incorporated on 1 April 1989 and on that date all properties, rights and liabilities which had been used and/or held by Cleveland County Council for the purposes of the University were transferred to the University.

The University is also an exempt charity under the Act.

Scope of the Financial Statements

The financial statements presented by the Board of Governors comprise the results of the University, its trading subsidiaries and The Friends of the University of Teesside Trust. The subsidiaries and the Trust undertake activities which for commercial or legal reasons are more appropriately accounted for outside the University.

The Trust may provide funds for the assistance and benefit for educational purposes of the University and for other charitable purposes which are connected with and acceptable to the University.

The whole of any taxable profits made by the subsidiaries are gift aided to the University.

Financial Results

The University's consolidated income, expenditure and results for the year ended 31 July 2003, are summarised as follows:

	2003	2002
	£000	£000
Income	**72,415**	63,351
Expenditure	**(70,052)**	(62,354)
Surplus after depreciation of assets at valuation before and after tax	**2,363**	997
Surplus on sale of property	**773**	–
Surplus after depreciation of assets at valuation, sale of property, before and after tax	**3,136**	997
Surplus for the year on an historical cost basis	**4,587**	1,749

Income has increased by 14.3 % largely as a result of increases in Funding Council grants and other income. Expenditure has increased by 12.3%. Staffing costs are 60.5% of total expenditure and are 10.8% higher than last year. A significant proportion of this increase is due to increases in the employer contributions to the Teachers' Pension Scheme and employer national insurance contributions.

Capital Projects

£8.3 million was invested in capital projects during the year. Over half of this amount was spent on the construction and fitting out of the Olympia Building. This is the University's new Centre for Sport which combines high quality recreational amenities of an international standard with state of the art teaching and research facilities. The building opened at the beginning of the 2003/04 academicyear. The expenditure was funded out of the University's own cash resources.

A number of other projects were undertaken during the year which were funded by a combination of the University's own reserves, Single Regeneration Budget, European and HEFCE grants.

Cash Flow

The group had a net cash inflow of £975,000, after over £8 million of capital expenditure, reflecting the University's continuing investment in the infrastructure and estate. Capital grants of £1.2 million were received in the year.

At the balance sheet date cash at bank and in hand and short term deposits amounted to £10.9 million, and the University had £7.9 million of long term debt.

Future Developments

In collaboration with its FE and business partners the University plans to continue to expand its Foundation Degree programme. 800 FTE places on these programmes have been approved by HEFCE up to and including 2005/06.

The University continues to support the economic regeneration of the region and will be actively seeking a major presence in the new Cultural Quarter of Middlesbrough town centre. In addition the University and the Tees Valley Partnership are finalising proposals to develop digital and media technology training, research and enterprise through a range of initiatives with regional businesses and organisations.

Post Balance Sheet Event

The University intends to transfer the business, of EPICC Limited, a subsidiary undertaking, to an external organisation, the Centre for Process Innovation. The transfer is expected to be completed at the beginning of 2004. The turnover of EPICC Limited for the year ended 31 July 2003 was £538,000, its operating profit was £1,600 and its net assets were £24,762.

Employment of Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing employees becoming disabled every effort is made to ensure that their employment with the University continues and that appropriate training is arranged. It is the policy of the University that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Involvement

The University places considerable value on the involvement of its employees and on good communication with them. A regular official newsletter is made available to all staff and there is a University-wide systematic staff briefing scheme. Staff are encouraged to participate in formal and informal consultation at University, School and Department level, sometimes through the membership of formal Committees. The University has a Staff Development Unit which is responsible for providing a range of training for each staff group.

The University demonstrated its continuing commitment to managing and supporting the professional and personal development of all staff by successfully retaining Investor in People status.

Payment of Creditors

Except for separately negotiated agreements, it is the University's policy to pay creditors thirty days after the date of the invoice. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms.

Financial Strategy

The key objectives of the University's financial strategy are to:

- ensure the on-going financial viability of the University;
- ensure the efficient and effective use of the University's assets and funds;
- maintain the University's net current assets at over £2 million, and to maintain liquidity at not less than 40 days expenditure;
- generate an annual operating surplus of at least £0.5 million.

Auditors

On 3 May 2003 RSM Robson Rhodes, the University's financial statement auditors, transferred substantially the whole of their business to RSM Robson Rhodes LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. On 12 December 2003 the Board passed a resolution to transfer the financial statements audit responsibilities from RSM Robson Rhodes to RSM Robson Rhodes LLP.

Report of the Board of Governors, Year ended 31 July 2003

Conclusion

The University remains committed to maintaining its sound financial position to enable it to meet its strategic vision.

The Board of Governors would like to take this opportunity to thank all of the staff for their continued support and hard work. Additionally the Board of Governors wishes to record its thanks to Professor Derek Fraser, the former Vice-Chancellor, who retired on 31 March 2003 and to formally welcome his successor, Professor Graham Henderson.

By Order of the Board

12 December 2003

CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts understand how the principles have been applied.

Responsibilities of the Board of Governors

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

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

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

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

The Board of Governors has taken reasonable steps to:

- ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, senior management and heads of academic and administrative departments;

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Board of Governors; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

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

Summary of the University's Structure of Corporate Governance

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

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

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

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

The Nomination Committee considers nominations for vacancies on the Board.

The Remuneration Committee determines the remuneration of the five holders of Senior Posts.

The Audit Committee meets three times a year and is responsible for meeting with the External Auditors to discuss audit findings, and with the Internal Auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control together with management's response and implementation plans. The members of this committee also receive and consider reports from the Higher Education Funding Council for England as they affect the University's business and monitor adherence with the regulatory requirements. They review the University's annual financial statements together with the accounting policies. While senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and from time to time the Committee meets with the External Auditors on their own for independent discussions.

Statement of Internal Control

The Board of Governors is of the view that there is an ongoing process for identifying, evaluating and managing the university's significant risks, that has been in place for the year ended 31 July 2003 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for the directors on the Combined Code as deemed appropriate for higher education.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The Board of Governors has also established a Risk Management Committee comprising the senior management team and other senior managers . The senior management team and the Audit Committee also receive regular reports from internal audit and the Risk Management Committee which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Board of Governors' agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2003 meeting, the Board of Governors carried out the annual assessment for the year ended 31 July 2003 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2003.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF THE UNIVERSITY OF TEESSIDE

We have audited the financial statements which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

This report is made solely to the Board of Governors. 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 University's Board of Governors, for our audit work, for this report or for the opinions we have formed.

Respective Responsibilities of the Board of Governors and Auditors

As described on page 6 the Board of Governors is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the Report of the Board of Governors is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report of the Board of Governors and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Opinion

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

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

Opinion

In our opinion:

a the financial statements give a true and fair view of the state of affairs of the University and of the group at 31 July 2003 and of the group's surplus of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;

b in all material respects, income from the Higher Education Funding Council for England and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;

c in all material respects, income has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum dated August 2000 with the Higher Education Funding Council for England and in accordance with the terms and conditions of the funding agreement dated July 1996 between the Teacher Training Agency and the University.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Leeds 12 December 2003

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with both the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions (SORP) and applicable Accounting Standards.

(b) Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University, its subsidiary undertakings and The Friends of the University of Teesside Trust for the financial year to 31 July.

The financial statements of the University of Teesside Union are not consolidated as it is a separately constituted organisation in which the University has no financial interest and no control or significant influence over policy decisions.

(c) Recognition of Income

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

(d) Intangible Fixed Assets

(1) Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. The amortisation period is 10 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

(e) Tangible Fixed Assets

(1) Land and Buildings

The majority of freehold land and buildings are stated at valuation. These properties were valued by Storey Sons & Parker, Chartered Surveyors, as at 31 July 1997 in accordance with RICS Statements of Asset Valuation Practice and Guidance Notes. The basis of valuation was depreciated replacement cost. Certain properties from which the University derives no economic benefit and which, in the opinion of the Board of Governors have a value substantially less than their depreciated replacement cost were valued by the University. Additions since 1 August 1997 are shown at cost.

The University has adopted the transitional provisions of Financial Reporting Standard 15 and has determined not to subsequently revalue its fixed assets from the amounts currently included in the financial statements.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as below. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the buildings on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

(2) Equipment

Furniture and equipment are included at cost.

Furniture and equipment costing less than £1,500 per individual item or group of related items is written off in the year of acquisition. All other items of furniture and equipment are capitalised.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as below. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the equipment on a basis consistent with the depreciation policy.

(3) Vehicles

Vehicles are included at cost.

(4) Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation of each asset, evenly over its expected useful life, as follows:

Freehold buildings	Remaining life of each building between 5 and 50 years or finance lease term, if shorter	
Equipment and Furniture	10% - 33.33%	per annum
Vehicles	25%	per annum

Assets in the course of construction are not depreciated until brought into use.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value.

(g) Pensions

Retirement benefits for employees of the University are provided by defined benefit schemes which are funded by contributions from the University and employees. The two principal pension schemes are the Teachers' Pension Scheme for academic staff and the Teesside Pension Fund for non-academic staff. These are both independently administered schemes. A small number of staff are members of the National Health Service Scheme.

Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of the pensions over the employees' expected remaining working lives with the University. In addition, provision is made for enhanced pensions where employees have taken early retirement.

(h) Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

(i) Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease and are depreciated in accordance with the policy set out above. The excess of lease payments over recorded lease obligations is treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

Consolidated Income and Expenditure Account, Year ended 31 July 2003

	Note	2003 £000	2002 £000
INCOME			
Funding Council grants	1	**34,732**	30,453
Tuition fees and education contracts	2	**23,418**	21,905
Research grants and contracts	3	**1,653**	1,194
Other income	4	**12,154**	9,372
Endowment and investment income	5	**458**	427
Total Income		**72,415**	63,351
EXPENDITURE			
Staff costs	6	**43,875**	38,888
Other operating expenses	7	**21,921**	18,753
Depreciation	9	**3,556**	3,982
Interest payable	8	**700**	731
Total Expenditure	9	**70,052**	62,354
Surplus on continuing operations after depreciation of fixed assets at valuation before and after tax		**2,363**	997
Surplus on sale of property		**773**	–
Surplus on continuing operations after depreciation of fixed assets at valuation, sale of property, before and after tax		**3,136**	997

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

Consolidated Statement of Historical Cost Surpluses and Deficits, Year ended 31 July 2003

	Note	2003 £000	2002 £000
Surplus on continuing operations after depreciation of fixed assets at valuation, sale of property, before and after tax		**3,136**	997
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	**751**	752
Realisation of revaluation surplus on property sold in the year	22	**700**	–
Historical cost surplus for the year before and after tax		**4,587**	1,749

Statement of Total Recognised Gains and Losses, Year ended 31 July 2003

	Note	2003 £000	2002 £000
Surplus on continuing operations after depreciation of fixed assets at valuation, sale of property, before and after tax		**3,136**	997
Depreciation of endowment asset investments	14	**(2)**	(16)
New endowments		**16**	57
Excess of endowment expenditure over income for year		**(44)**	–
Total recognised gains relating to the year		**3,106**	1,038

Reconciliation

Opening reserves and endowments	**51,732**
Total recognised gains and losses for the year	**3,106**
Closing reserves and endowments	**54,838**

Balance Sheets as at 31 July 2003

	Note	Consolidated 2003 £000	Consolidated 2002 £000	University 2003 £000	University 2002 £000
Fixed Assets					
Intangible assets	11	**216**	243	**216**	243
Tangible assets	12	**72,800**	68,738	**73,165**	69,025
Investments	13	**30**	30	**880**	880
		73,046	69,011	**74,261**	70,148
Endowment Assets	14	**276**	306	**276**	306
Current Assets					
Stocks		**41**	47	**41**	47
Debtors	15	**6,957**	7,748	**15,883**	16,080
Investments		**8,347**	8,000	**8,347**	8,000
Cash at bank and in hand		**2,538**	1,521	**109**	1,098
		17,883	17,316	**24,380**	25,225
Creditors - Amounts falling due within one year	16	**(11,488)**	(10,616)	**(16,050)**	(15,582)
Net current assets		**6,395**	6,700	**8,330**	9,643
Total assets less current liabilities		**79,717**	76,017	**82,867**	80,097
Creditors - Amounts falling due after more than one year	17	**(7,942)**	(8,167)	**(11,146)**	(12,270)
Provisions for liabilities and charges	19	**(5,274)**	(4,563)	**(5,274)**	(4,563)
NET ASSETS		**66,501**	63,287	**66,447**	63,264

Balance Sheets as at 31 July 2003 continued

	Note	Consolidated		University	
		2003	2002	**2003**	2002
		£000	£000	**£000**	£000
Deferred capital grants	20	**11,663**	11,555	**11,662**	11,550
Endowments					
Specific	21	**276**	306	**276**	306
Reserves					
Revaluation reserve	22	**25,240**	26,691	**25,240**	26,691
Income and Expenditure account	23	**29,322**	24,735	**29,269**	24,717
Total Reserves		**54,562**	51,426	**54,509**	51,408
TOTAL		**66,501**	63,287	**66,447**	63,264

The financial statements on pages 11 to 41 were approved by the Board of Governors on 12 December 2003 and were signed on its behalf by:

Chair of Governors

Vice-Chancellor

Consolidated Cash Flow Statement, Year ended 31 July 2003

	Note	**2003**	2002
		£000	£000
Cash flow from operating activities	26	**7,219**	6,134
Returns on investments and servicing of finance	27	**(363)**	(295)
Capital expenditure and financial investment	27	**(5,434)**	(2,122)
Management of liquid resources	27	**(347)**	(4,000)
Financing	27	**(100)**	(100)
Increase/(decrease) in cash in the year		**975**	(383)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2003	2002
Increase/(decrease) in cash in the year		**975**	(383)
Increase in short-term deposits		**347**	4,000
Cash outflow from repayment of debt		**100**	100
Movement in net debt		**1,422**	3,717
Net funds/(debt) at 1 August 2002		**1,438**	(2,279)
Net funds at 31 July 2003	28	**2,860**	1,438

Notes to the Financial Statements, Year ended 31 July 2003

(1) FUNDING COUNCIL GRANTS

	HEFCE 2003 £000	TTA 2003 £000	TOTAL 2003 £000	2002 £000
Recurrent grant	**30,357**	**324**	**30,681**	27,915
Specific grants	**3,633**	**–**	**3,633**	2,134
Deferred capital grants released in year (note 20)				
Buildings	**153**	**–**	**153**	143
Equipment	**265**	**–**	**265**	261
	34,408	**324**	**34,732**	30,453

(2) TUITION FEES AND EDUCATION CONTRACTS

	2003 £000	2002 £000
Full-time students fees	**7,382**	6,751
Full-time students charged overseas fees	**1,269**	1,228
Part-time students fees	**1,882**	1,539
Total fees paid by or on behalf of individual students	**10,533**	9,518
Education contracts	**12,885**	12,387
	23,418	21,905

(3) RESEARCH GRANTS AND CONTRACTS

	2003 £000	2002 £000
Research Councils	**162**	209
UK based charities	**150**	92
UK Central government	**393**	292
UK Health Service	**324**	318
European Commission	**448**	54
Other grants and contracts	**176**	229
	1,653	1,194

(4) OTHER INCOME

	2003 £000	2002 £000
Residences, catering and conferences	**2,666**	2,592
Other income generating activities	**2,173**	1,913
Other grant income	**4,200**	2,495
Release from deferred capital grants (note 20)	**407**	433
Other income	**2,708**	1,939
	12,154	9,372

(5) ENDOWMENT AND INVESTMENT INCOME

	2003 £000	2002 £000
Transferred from specific endowments (note 21)	**57**	13
Other interest receivable	**401**	414
	458	427

(6) STAFF

	2003 £000	2002 £000
Staff Costs		
Wages and salaries	**36,046**	32,907
Social security costs	**2,605**	2,351
Other pension costs (note 30)	**3,720**	2,995
Increase in the provision for enhanced pensions (note 19)	**1,209**	237
Restructuring costs	**295**	398
	43,875	38,888

	£	£
The emoluments of the current Vice-Chancellor for 4 months from 1 April 2003 were:		
Remuneration	**40,000**	–
Benefits in kind	**480**	–
Pension costs (on the same basis as for other academic staff)	**5,400**	–
	45,880	–
The emoluments of the former Vice-Chancellor for 8 months to 31 March 2003 were:		
Remuneration	**87,667**	126,500
Benefits in kind	**10,126**	13,250
Pension costs (on the same basis as for other academic staff)	**5,411**	7,412
	103,204	147,162

(6) STAFF continued

Remuneration of senior staff including benefits in kind and excluding employer's pension contributions

	2003 Number	2002 Number
£70,000 - £79,999	**2**	–
£80,000 - £89,999	**1**	2

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

	2003	2002
Academic	**552**	544
Administrative and technical	**657**	609
Other	**173**	161
	1,382	1,314

(7) OTHER OPERATING EXPENSES

	2003 £000	2002 £000
Residences, catering and conferences operating expenses	**588**	622
Operating lease rentals - land and buildings	**588**	623
Equipment and materials	**3,168**	2,886
Books and periodicals	**1,035**	1,028
Heat, light, water and power	**603**	639
Repairs and general maintenance	**804**	722
Grant to University of Teesside Union	**494**	405
Franchised courses	**2,393**	1,732
Communication	**522**	489
Travel and subsistence	**2,742**	2,309
Advertising and publicity	**811**	916
Auditors' remuneration - University	**28**	28
Auditors' remuneration - Subsidiary companies	**8**	6
Auditors' remuneration in respect of non-audit services	**4**	24
Long term maintenance and capital projects	**1,257**	929
Professional and consultancy fees	**1,890**	1,141
Training courses and conference fees	**330**	226
Other expenses	**4,656**	4,028
	21,921	18,753

(8) INTEREST PAYABLE

	2003 £000	2002 £000
Bank loans not wholly repayable within five years	**215**	247
Finance leases	**485**	484
	700	731

(9) ANALYSIS OF 2002/2003 EXPENDITURE BY ACTIVITY

	Staff costs £000	Other operating expenses £000	Depreciation £000	Interest payable £000	Total £000
Academic departments	26,054	7,669	459	–	34,182
Academic services	3,006	1,322	283	–	4,611
Research grants and contracts	1,036	606	45	–	1,687
Residences, catering and conferences	629	1,176	302	419	2,526
Premises	2,086	2,938	1,761	281	7,066
Administration	6,379	3,967	193	–	10,539
Other expenses	4,685	4,243	513	–	9,441
Total per Income and Expenditure Account	43,875	21,921	3,556	700	70,052

Of the total depreciation charge of £3,556,000, £174,000 relates to assets acquired under finance leases.

The depreciation charge has been funded by:

	£000
Deferred capital grants released (note 20)	825
Revaluation reserve released (note 22)	751
General income	1,980
	3,556

(10) SURPLUS ATTRIBUTABLE TO PARENT UNDERTAKING

The surplus dealt with in the accounts of the parent undertaking was £3,101,000 (2002 - £705,000).

(11) INTANGIBLE FIXED ASSETS - GOODWILL

	Consolidated and University
	£000
Cost	
At 31 July 2003 and 31 July 2002	270
Amortisation	
At 1 August 2002	27
Provided during the year	27
At 31 July 2003	54
Net Book Value	
At 31 July 2003	**216**
At 31 July 2002	243

NOTES TO THE FINANCIAL STATEMENTS, YEAR ENDED 31 JULY 2003

(12) TANGIBLE FIXED ASSETS

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
Consolidated	£000	£000	£000	£000	£000
Cost/Valuation					
At 1 August 2002	74,424	910	84	15,951	91,369
Additions in year	1,200	5,552	28	1,565	8,345
Transfers in year	565	(565)	–	–	–
Disposals in year	(700)	–	(33)	(2)	(735)
Written off in year	–	–	–	(815)	(815)
At 31 July 2003	75,489	5,897	79	16,699	98,164
Depreciation					
At 1 August 2002	8,729	–	34	13,868	22,631
Charge for year	1,907	–	18	1,631	3,556
Disposals in year	–	–	(6)	(2)	(8)
Written off in year	–	–	–	(815)	(815)
At 31 July 2003	10,636	–	46	14,682	25,364
Net Book Amounts					
At 31 July 2003	**64,853**	**5,897**	**33**	**2,017**	**72,800**
At 31 July 2002	65,695	910	50	2,083	68,738

(12) TANGIBLE FIXED ASSETS continued

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
University	£000	£000	£000	£000	£000
Cost/Valuation					
At 1 August 2002	74,787	910	84	12,951	88,732
Additions in year	1,200	5,552	28	1,554	8,334
Transfers in year	565	(565)	–	–	–
Disposals in year	(700)	–	(33)	–	(733)
Written off in year	–	–	–	(815)	(815)
At 31 July 2003	75,852	5,897	79	13,690	95,518
Depreciation					
At 1 August 2002	8,729	–	34	10,944	19,707
Charge for year	1,907	–	18	1,542	3,467
Disposals in year	–	–	(6)	–	(6)
Written off in year	–	–	–	(815)	(815)
At 31 July 2003	10,636	–	46	11,671	22,353
Net Book Amounts					
At 31 July 2003	**65,216**	**5,897**	**33**	**2,019**	**73,165**
At 31 July 2002	66,058	910	50	2,007	69,025

Financial Reporting Standard No 15 'Tangible Fixed Assets': The transitional rules set out in FRS 15 have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

At 31 July 2003 the net book value of freehold land and buildings, for the group and the University, includes £2,338,000 (31 July 2002: £2,512,000) in respect of assets held under finance leases.

(12) TANGIBLE FIXED ASSETS continued

Analysis of cost or valuation

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
Consolidated	£000	£000	£000	£000	£000
1997 Professional Valuation	48,217	–	–	–	48,217
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	24,628	5,897	79	16,699	47,303
At 31 July 2003	75,489	5,897	79	16,699	98,164
University					
1997 Professional Valuation	48,217	–	–	–	48,217
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	24,991	5,897	79	13,690	44,657
At 31 July 2003	75,852	5,897	79	13,690	95,518

Asset revaluations

The majority of land and buildings held at 31 July 1997 were revalued at that date by Storey Sons & Parker, Chartered Surveyors. The basis of valuation was that of depreciated replacement cost. Certain properties, which in the opinion of the Governors, have had a permanent diminution in value due to a significant reduction in use by the University, and which in their opinion have a value substantially less than their depreciated replacement cost, were separately valued by the University.

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

	Consolidated		University	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Cost	**50,097**	48,332	**50,401**	48,636
Accumulated depreciation and impairment	**(10,466)**	(9,310)	**(10,466)**	(9,310)
Net book value	**39,631**	39,022	**39,935**	39,326

(13) INVESTMENTS

Consolidated	Other Investments £000
Cost	
At 31 July 2003 and 31 July 2002	**30**

University	Other Investments £000	Subsidiary Undertakings £000	Total £000
Cost			
At 31 July 2003 and 31 July 2002	**30**	**850**	**880**

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

Subsidiary Undertaking	Nature of Business	Shareholding
University of Teesside Enterprises Limited	Commercial activities, enterprise, trading and liaison with industry and commerce.	Limited by guarantee
EPICC Limited	To improve competitiveness through collaboration on research, training, education and business support measures within the European process industries.	Limited by guarantee
TEESNAP Limited	To provide and promote educational and training services relating to nursing, midwifery and associated professions and/or professions allied to medicine and to provide management services related to the aforementioned.	100% Ordinary Shares
The Virtual Reality Centre at Teesside Limited	To provide services within the field of Virtual Reality to third parties.	100% Ordinary Shares
Roundbeat Limited	Dormant.	100% Ordinary Shares
Teesside Library Company Limited	To provide library services.	100% Ordinary Shares

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

Notes to the Financial Statements, Year ended 31 July 2003

(14) ENDOWMENT ASSET INVESTMENTS

	Consolidated and University £000
At 1 August 2002	306
Additions	16
Disposals	(44)
Depreciation on disposals/revaluation	(2)
At 31 July 2003	**276**

	Valuation at 31 July 2003 £000	Valuation at 31 July 2002 £000
Fixed interest stocks	**62**	61
Equities	**72**	60
Tax debtor	**–**	1
Bank balances	**142**	184
Total endowment asset investments	**276**	306
Fixed interest stocks and equities at cost	**135**	131

(15) DEBTORS

	Consolidated		University	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Debtors	**1,589**	2,252	**1,139**	1,635
Prepayments and accrued income	**4,612**	4,809	**4,229**	3,991
Amounts due from subsidiary undertakings	**–**	–	**10,515**	10,454
Other debtors	**756**	687	**–**	–
	6,957	7,748	**15,883**	16,080

Included within amounts due from subsidiary undertakings is £3,619,000 (2002: £4,640,000) which is due after more than one year.

(16) CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Mortgages and unsecured loans	**225**	100	**225**	100
Payments received on account	**2,913**	2,973	**2,510**	2,873
Creditors	**1,950**	2,211	**1,889**	2,191
Social security and other taxation payable	**1,716**	1,449	**1,709**	1,665
Accruals and deferred income	**4,684**	3,883	**4,478**	3,462
Amounts due to subsidiary undertakings	**–**	–	**5,239**	5,291
	11,488	10,616	**16,050**	15,582

(17) CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Loans secured on residential and other property repayable by 2022	**3,942**	4,167	**3,942**	4,167
Obligations under finance leases (note 18)	**4,000**	4,000	**4,000**	4,000
Amounts due to subsidiary undertakings	**–**	–	**3,204**	4,103
	7,942	8,167	**11,146**	12,270

(18) BORROWINGS

a Bank loans and overdrafts

	Consolidated and University	Consolidated and University
	2003	2002
	£000	£000
Bank loans and overdrafts are repayable as follows:		
In one year or less	225	100
Between one and two years	225	225
Between two and five years	675	675
In five years or more	3,042	3,267
	4,167	4,267

Bank loans include mortgages at 0.9% and 1% above LIBOR, repayable by instalments and secured on freehold properties of the University.

b Finance leases

	Consolidated and University	Consolidated and University
	2003	2002
	£000	£000
The net finance lease obligations to which the University is committed are:		
In five years or more	**4,000**	4,000

The finance leases relate to academic and student accommodation.

(19) PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated and University
	£000
At 1 August 2002	4,563
Utilised in year	(498)
Transfer from Income and Expenditure Account	1,209
At 31 July 2003	**5,274**

The provision is in respect of pension enhancements payable to staff who have taken early retirement. The provision was recalculated at 31 July 2003 using the latest available actuarial tables.

(20) DEFERRED CAPITAL GRANTS

Consolidated	Funding Council £000	Other Grants and Benefactions £000	Total £000
At 1 August 2002			
Buildings	5,492	5,237	10,729
Equipment	373	453	826
Total	5,865	5,690	11,555
Cash Received and Receivable			
Buildings	172	297	469
Equipment	405	59	464
Total	577	356	933
Released to Income and Expenditure Account			
Buildings (notes 1 and 4)	153	143	296
Equipment (notes 1 and 4)	265	264	529
Total	418	407	825
At 31 July 2003			
Buildings	5,511	5,391	10,902
Equipment	513	248	761
Total	**6,024**	**5,639**	**11,663**

NOTES TO THE FINANCIAL STATEMENTS, YEAR ENDED 31 JULY 2003

(20) DEFERRED CAPITAL GRANTS continued

University	Funding Council £000	Other Grants and Benefactions £000	Total £000
At 1 August 2002			
Buildings	5,492	5,237	10,729
Equipment	372	449	821
Total	5,864	5,686	11,550
Cash Received and Receivable			
Buildings	172	297	469
Equipment	405	59	464
Total	577	356	933
Released to Income and Expenditure Account			
Buildings	153	143	296
Equipment	265	260	525
Total	418	403	821
At 31 July 2003			
Buildings	5,511	5,391	10,902
Equipment	512	248	760
Total	**6,023**	**5,639**	**11,662**

(21) SPECIFIC ENDOWMENTS

	Consolidated and University
	£000
At 1 August 2002	306
Additions	16
Income for year	13
Depreciation of endowment asset investments	(2)
Transferred to the Income and Expenditure Account	(57)
At 31 July 2003	**276**

(22) REVALUATION RESERVE

	Consolidated and University
	£000
At 1 August 2002	26,691
Transfer to Income and Expenditure Account	(751)
Revaluation reserve realised in year	(700)
At 31 July 2003	**25,240**

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

(23) INCOME AND EXPENDITURE ACCOUNT

	Consolidated	University
	£000	£000
At 1 August 2002	24,735	24,717
Surplus after depreciation of assets at valuation and tax	3,136	3,101
Transfer from Revaluation Reserve	751	751
Revaluation reserve realised in year	700	700
At 31 July 2003	**29,322**	**29,269**

NOTES TO THE FINANCIAL STATEMENTS, YEAR ENDED 31 JULY 2003

(24) LEASE OBLIGATIONS

	Consolidated		University	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Operating lease commitments in respect of land and buildings for the 2003/04 financial year, on leases expiring:				
Within one year	**606**	588	**606**	588
Between one and five years	**12**	12	**–**	–
In five years or more	**–**	–	**–**	–
	618	600	**606**	588

(25) FUTURE CAPITAL COMMITMENTS

	Consolidated		University	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Commitments contracted at 31 July	**4,510**	7,673	**4,510**	7,673

(26) RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£000	£000
Surplus before tax	**3,136**	997
Amortisation	**27**	27
Depreciation	**3,556**	3,982
Deferred capital grants released to income	**(825)**	(837)
Investment income	**(458)**	(427)
Interest payable	**700**	731
Profit on sale of fixed assets	**(766)**	1
Decrease in stocks	**6**	14
Decrease/(increase) in debtors	**869**	(1,577)
Increase in creditors	**263**	3,259
Increase/(decrease) in provisions	**711**	(36)
Net cash inflow from operating activities	**7,219**	6,134

(27) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2003	2002
	£000	£000
Returns on investments and servicing of finance		
Income from endowments (note 21)	**13**	13
Interest received	**323**	411
Interest element of finance lease rental payments	**(482)**	(466)
Other interest paid	**(217)**	(253)
Net cash outflow for returns on investments and servicing of finance	**(363)**	(295)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	**–**	(270)
Purchase of tangible fixed assets	**(8,175)**	(3,299)
Purchase of endowment asset investments	**(16)**	(10)
Sale of tangible fixed assets	**1,493**	19
Sale of endowment asset investments	**2**	16
Endowments received	**16**	57
Deferred capital grants received	**1,246**	1,365
Net cash outflow for capital expenditure and financial investment	**(5,434)**	(2,122)
Management of liquid resources*		
Net movement in short-term deposits	**(347)**	(4,000)
Financing		
Repayment of bank loan	**(100)**	(100)

*The University of Teesside includes as liquid resources term deposits of one year or less.

(28) ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2002	Cash Flows	Other non-cash Changes	**At 31 July 2003**
	£000	£000	£000	**£000**
Cash at bank and in hand				
Endowment assets	184	(42)	–	**142**
Other	1,521	1,017	–	**2,538**
	1,705	975	–	**2,680**
Short-term deposits	8,000	347	–	**8,347**
Debt due after 1 year	(4,167)	–	225	**(3,942)**
Debt due within 1 year	(100)	100	(225)	**(225)**
Finance leases	(4,000)	–	–	**(4,000)**
	1,438	1,422	–	**2,860**

(29) MAJOR NON-CASH TRANSACTIONS

An additional provision of £1.209 million has been provided in the year in respect of pension enhancements payable to staff who have taken early retirement.

(30) PENSION COSTS

The University participates in two main pension schemes, the Teesside Pension Fund and the Teachers' Pension Scheme.

Teesside Pension Fund (TPF)

The TPF is a funded defined benefit scheme in the UK.

SSAP 24

The pension cost is assessed every three years in accordance with the advice of a qualified independent actuary. A full actuarial valuation by the Fund's actuary was carried out as at 31 March 2001 and the assumptions and other data that have the most significant effect on the determination of contribution levels are set out below:

Actuarial method	Projected unit
Investment returns per annum - equities	6.75%
Investment returns per annum - bonds	5.75%
Pay increases per annum	4.80%
Price inflation/pension increases per annum	2.80%
Market value of scheme assets at date of last valuation	£1,102 million
Proportion of member's accrued benefits covered by the actuarial value of the assets	94%

As a result of this valuation the University's contributions were determined as continuing at 14.9% until 31 March 2005. The total pension cost for the University under this scheme was £1,925,000 (2002: £1,721,000). This includes £168,000 (2002: £148,000) outstanding contributions at the balance sheet date.

(30) PENSION COSTS continued

FRS 17

An actuarial valuation for the purposes of Financial Reporting Standard 17: Retirement Benefits, was carried out at 31 July 2003 by a qualified independent actuary.

The major assumptions used by the actuary were:	**31 July 2003**	31 July 2002
Inflation assumption	2.6%	2.4%
Rate of increase in salaries	4.6%	4.4%
Rate of increase in pensions in payment	2.6%	2.4%
Discount rate	5.5%	6.0%

The assets in the scheme (whole scheme) and the expected rate of return were:

	Long term rate of return	**Value at 31 July 2003**	Value at 31 July 2002
		£000	£000
Equities	8.0%	759,400	705,588
Bonds	5.0% (2002 - 5.5%)	177,000	162,089
Property	6.0%	55,500	50,660
Cash	3.5% (2002 - 4.0%)	94,400	125,000
		1,086,300	1,043,337

The University has 2.91% (2002 - 2.67%) of the total assets in the scheme.

The following amounts at 31 July 2003 were measured in accordance with the requirements of FRS 17:

	£000
Estimated asset share	31,599
Present Value of scheme liabilities	(46,932)
Deficit in the scheme - Net pension liability	**(15,333)**

If the above amounts had been recognised in the financial statements, the University's net assets and profit and loss reserve at 31 July 2003 would be as follows:

	£000
Net assets excluding pension liability	66,501
Pension liability	(15,333)
Net assets including pension liability	**51,168**
Income and expenditure reserve excluding pension liability	29,322
Pension reserve	(15,333)
Income and expenditure reserve	**13,989**

Analysis of the projected amount charged to operating profit

	2003
	£000
Current service cost	**1,636**
Past service cost	**–**
Total operating charge	**1,636**

NOTES TO THE FINANCIAL STATEMENTS, YEAR ENDED 31 JULY 2003

(30) PENSION COSTS continued

Analysis of the projected amount charged to other finance costs

	2003
	£000
Expected return on employer's share of pension scheme assets	**2,054**
Interest on employer's share of pension scheme liabilities	**(2,207)**
Net cost	**(153)**

Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)

	2003
	£000
Actual return less expected return on employer's share of pension scheme assets	**(440)**
Experience gains and losses arising on the employer's share of the scheme liabilities	**(532)**
Changes in assumptions underlying the present value of the scheme's liabilities	**(6,385)**
Actuarial loss recognised in the STRGL	**(7,357)**

Movement in deficit during the year

	2003
	£000
Employer's share of the deficit in the scheme at the beginning of the year	**(8,114)**
Movement in year:	
Current service cost	**(1,636)**
Contributions	**1,927**
Net return on assets	**(153)**
Actuarial loss	**(7,357)**
Employer's share of the deficit in the scheme at the end of the year	**(15,333)**

(30) PENSION COSTS continued

History of experience gains and losses

	2003
Difference between the expected and actual return on scheme assets:	
Amount (£000)	**(440)**
Percentage of scheme assets	**(1.4%)**
Experience gains and losses on scheme liabilities:	
Amount (£000)	**(532)**
Percentage of the present value of the scheme liabilities	**(1.1%)**
Total amount recognised in the statement of total recognised gains and losses:	
Amount (£000)	**(7,357)**
Percentage of the present value of the scheme liabilities	**(15.7%)**

Teachers' Pension Scheme (TPS)

The TPS is a defined benefits scheme. However, it is not possible to identify each institutions' share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year as adjusted for the requirements of Statement of Standard Accounting Practice number 24: Accounting for Pension Costs. The Teachers' Pension Regulations require an annual account, the Teachers' Pension Account to be kept of receipts and payments (including the cost of pension increases).

The latest actuarial review of the scheme was at 31 March 2001. As a result of the 2002 Amendment Regulations this valuation was not based on the scheme maintained from 1 April 1996 (the start of the valuation period) to 31 March 2001. The actuarial review assumed that the balance in the Account as at 31 March 2001 should be such that, for this review, the value of the scheme assets was equal to the value of the scheme liabilities. The values being £142,880 millions. With effect from 1 April 2001, the scheme will be credited with a specific notional investment return.

The notional investment return used in this actuarial review was 3.5% above price increases. Earnings were assumed to grow at 1.5% above price increases.

As a result of this review the standard contribution rate from 1 April 2001 was assessed as 19.5% of salary of which the employer's share is 13.5%. This new rate was not payable until 1 April 2003. The rate paid for the period 1 August 2002 to 31 March 2003 was 14.35% of which 8.35% was payable by the employer.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2006.

The total pension cost for the University under this scheme was £1,791,000 (2002: £1,274,000). This includes £200,000 (2002: £117,000) outstanding contributions at the balance sheet date.

The pension charge for the year includes an amount in respect of enhanced pension entitlements of staff taking early retirement. The calculation of the cost of early retirement provisions charged to the Income and Expenditure Account in the year of retirement is based on the total capital cost of providing enhanced pensions with allowance for future investment returns at 3.0% (2002 - 3.5%) in excess of price inflation.

An amount of £5,085,000 (2002: £4,184,000) is included in provisions for liabilities and charges representing the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to the University of enhanced pension entitlements over the estimated life expectancy of each relevant employee.

(31) ACCESS FUNDS

	2003 £000	2002 £000
Funding Council grants	**795**	815
Interest earned	**10**	9
	805	824
Disbursed to students	**(749)**	(900)
Balance unspent/(overspent) at 31 July 2003	**56**	(76)

Funding Council grants are available solely for students. The University acts only as paying agent.
The grants and related disbursements, to the extent of total access fund income, are therefore excluded from the income and expenditure account.

(32) ITT TRAINING BURSARIES GRANTS

	2003 £000	2002 £000
Grant	**180**	–
Disbursed	**(171)**	–
Funds to be repaid to the TTA	**9**	–

ITT training bursaries grants are paid by the Teachers Training Agency and are solely for students. The University acts only as paying agent. The grant and related disbursements are therefore excluded from the income and expenditure account.

(33) RELATED PARTY TRANSACTIONS

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

(34) POST BALANCE SHEET EVENT

The University intends to transfer the business, of EPICC Limited, a subsidiary undertaking, to an external organisation, the Centre for Process Innovation. The transfer is expected to be completed at the beginning of 2004. The turnover of EPICC Limited for the year ended 31 July 2003 was £538,000, its operating profit was £1,600 and its net assets were £24,762.