

ANNUAL REPORT AND
FINANCIAL STATEMENTS

2014/15





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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FOREWORD

from the Chairman and Pro-Chancellor

The last 12 months have seen the University continue to make strong progress and put in place robust foundations designed to support our ambitious plans for the future. Our sustained investment in the student experience puts us in a great position to successfully meet the challenges and opportunities of the future, as we consolidate our position in the higher education sector as a thriving and successful university.

That position requires strong and effective leadership and the Board of Governors was delighted to appoint Professor Paul Croney to the role of Vice-Chancellor and Chief Executive from May 2015. Paul brings with him an incredible amount of experience and our Board looks forward to working closely with him to turn our ambitious plans into results.

A central priority for our Board of Governors is, of course, ensuring the financial health of the University. I am very pleased, therefore, that the positive and sustained commercial performance of our University continues to characterise the way in which we work, enabling our University to invest assertively in making an exceptional student experience even better, and helping those students, and the communities we serve, to succeed and realise their full potential.

Alastair MacColl

Chairman and Pro-Chancellor



I am very pleased to see the results of our strong financial performance again ensuring the financial stability and resilience of the University

INTRODUCTION

from the Vice-Chancellor and Chief Executive

I am delighted to provide this introduction to our Annual Report and Accounts for the first time as Vice-Chancellor and Chief Executive. Teesside University is a modern, international university with a growing reputation for academic excellence and for a first-class student experience informed by engagement with research, business and the professions.

I believe that Teesside now has a great opportunity to develop further as an international university rooted in the local economy with a reputation for quality, enterprise and learning opportunities. We will approach this challenge with enthusiasm, drive and energy, determined to deliver excellence for our students, partners and the communities we serve.

Professor Paul Croney
Vice-Chancellor and Chief Executive



We will approach this
challenge with enthusiasm,
drive and energy

THE UNIVERSITY

Introduction

Teesside is a university that 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 has taken a leading role over a prolonged period in widening participation, employer engagement, the enhancement of learning, teaching and the student experience, real-world research, staff and leadership development, employer workforce development and social, cultural and community enrichment.

This bold commitment and vision culminated in the University becoming the first post-92 university to receive recognition as the *Times Higher Education* UK University of the Year 2009. More recently the University was awarded The Queen's Anniversary Prize 2014-18 for world-class excellence in relation to its work with business and the enterprise agenda.



Teesside University in Numbers

19,630

Total number of students (based on 2014/15 HESA student record) with significant growth in full-time undergraduate student numbers.

2,355

Total number of staff in 2015.

85

This year we celebrated 85 years of teaching excellence – we were officially opened in 1930 as Constantine Technical College.

400+

Through our on-campus business support, our graduates have launched over 400 new businesses, creating 600 jobs.

£250m+

We have invested £250m, from cash reserves, on our estate to create a modern learning environment.

1,709

Students studying in overseas partner institutions with significant further growth in train.

87%

87% of our students would recommend Teesside University to others (National Student Survey 2014).

£2.8m

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

70,000

We have more than 70,000 active alumni from over 100 different countries, as part of a larger global community of Teesside graduates.

£9m

Our average annual surplus since 2009, which we continuously re-invest into the University. This is supported by a strong balance sheet and minimal borrowing.

About the University

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

It is a dynamic and modern institution dedicated to delivering opportunities for quality scholarship enriched by engagement with research and with industry and the professions.

The University derives income from a wide variety of sources, but the majority of its funding comes from three sources: tuition fees, grants from the Higher Education Funding Council for England (HEFCE) and contracts with the National Health Service (NHS).

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



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 addition, the University has invested in purpose built University Centres at the new campuses of all five of the Tees Valley's general further education colleges – Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland, and Stockton Riverside, and developed links with seven further partner colleges in the North of England.

In 2011, Teesside opened a new landmark university campus in Darlington and 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.

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 2014-18, and the UK University of the Year.

Other indicators of recent progress include:

- > Investors in People Gold status at 'whole Institutional level' (2011-2016)
- > Shortlisted three times as the *Times Higher Education* Entrepreneurial University of the Year
- > Nine National Teaching Fellowships
- > In the world's top three for international student satisfaction (International Student Barometer 2008-2015)
- > A top 30 UK university for teaching excellence and top ten for most state-school educated students (*The Times Good University Guide* 2016)
- > University of the Year for Student Retention & Support (*The Times Good University Guide* 2016)
- > Our library resources are in the English universities' top ten and number one in the North East (*Times Higher Education* Survey 2015)
- > Award-winning Students' Union – one of the best in the country (National Student Survey and *Times Higher Education* Student Surveys 2013-15)



Teesside 2020

Corporate Strategy 2015-20



Teesside 2020, our new corporate strategy to build on over a decade of growth and innovation, outlines our aim to be the UK sector-leader in client-focused knowledge services for industry, businesses and the professions – and to inform learning, teaching and research to support innovation, regeneration, and economic growth.

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 five years that will drive academic ambition and deliver excellence for our students, partners and communities we serve. It will 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 working with business, and to be amongst the UK's top institutions of higher education in relation to:

- > being a vibrant and effective learning community with students at the heart of everything that we do
- > enhancing academic and professional standards, and producing highly employable graduates for the benefit of individuals and organisations
- > contributing effectively to the economic, social and cultural success of the communities that we serve
- > demonstrating a real and continuing commitment to social inclusion
- > proactively, flexibly and responsively adapting our portfolio of activities to meet the changing needs and interests of potential students (home and international), employers and the local and national economy.

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.

2

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.

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.

5

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.

OPERATING REVIEW

Student and Learning Experience

High quality teaching and student support remain at the core of our business.

Throughout 2014/15 Schools and Departments have continued to work together to implement the academic strategy and embed the core principles of the Learning, Teaching and Student Experience Strategy (LTSES) into curricular and extracurricular developments. Building on previous work, strong partnerships have been established with the officers of the Students' Union and the wider student body, and processes have been developed to ensure that students are engaged with decision-making in all aspects of learning, teaching and academic quality.



Our academic provision aims to produce a distinctive, relevant, flexible and responsive portfolio of programmes which:

- > reflects the changing needs of employers, key industry sectors and society and the current and emerging expertise within the University
- > provides a mixture of academic, vocational and work-based study opportunities
- > increases the range of intermediate-level qualifications, particularly part-time foundation degrees
- > establishes the distinctive set of common characteristics in all undergraduate programmes, which define the Teesside graduate
- > maximises learner exposure to the real world environment
- > provides clearly articulated progression pathways to enable students to achieve their full potential
- > produces graduates with an international outlook by placing learning in a global context.

Teesside once again matched the overall benchmark for the satisfaction of its student community with overall satisfaction at the University at 86%, according to the National Student Survey 2015.

The inaugural Festival of Learning took place over four days in March 2015. Building on the success of the Annual Learning and Teaching Conferences that have been held in the University over the last 14 years, the festival brought together a wide range of staff and students from across the University and partner colleges to share innovative and inspirational practice with their colleagues and peers.

Employability



Assisting students and graduates to access high-quality graduate opportunities remains a priority and the University continued to enhance its activity in support of the development of student employability throughout 2014/15. We have continued to offer a wide range of interventions to help students develop skills so they have every chance of securing a graduate career start.

The Teesside graduate traits (adaptable; articulate; aspiring; critical; creative and confident) are already embedded in the LTSES, which looks to redefine the approach and commitment to transformative pedagogy ensuring students leave the University well rounded and able to progress into the working world or into postgraduate study.

These traits develop alongside a set of specific employee attributes defined as desirable by employers: analytical ability, application of ICT, application of numeracy, team working, business and customer awareness, communication, enterprise, leadership, networking, problem solving, project management and self-management.

Research and Innovation

We are continually building on our niche research strengths and reputation against the backdrop of a flourishing and dynamic research culture which is increasingly making a real and valuable contribution to society.

We aim to attain a reputation for national and international excellence in fundamental research and knowledge creation in a small number of targeted thematic areas, by:

- > significantly increasing the research output in nationally recognised and internationally recognised journals
- > significantly increasing the amount of research income flowing into the University and
- > increasing the prevalence of research-informed teaching.



Research Institutes

Research at Teesside is focussed around five research institutes:

Digital Futures Institute

Health and Social Care Institute

Institute of Design, Culture and the Arts

Social Futures Institute

Technology Futures Institute.

Our research institutes provide a broad based, multidisciplinary, stimulating and supportive environment that nurtures the highest quality research and enables researchers of all levels to work within cohesive research communities – from Professors and established academics to early career researchers including PhD students. The institutes encourage both collaboration within and across disciplines and engagement with a wide range of external partners and stakeholders. In particular, the University enjoys excellent research partnerships with industry, commerce and the public sector and is able to provide support to these partnership activities through our many collaborative research relationships with universities across the world.

Over the past year we have continued to develop the increased measures to ensure research integrity, set out in a new framework and led by the Research Ethics and Integrity Committee, in response to important national initiatives in this area.



Research Excellence Framework 2014

Teesside enjoyed excellent results in the Research Excellence Framework (REF) in 2014 which highlight the benefit and impact on society of research undertaken. Every single subject area entered in this assessment, the first since 2008, has research that is world-leading. This research ensures the University is at the forefront of new understanding and developments which informs the work we do with business, ensuring we offer support that leads the field and ensures competitive advantage.

Teesside University highlights from REF 2014 include:



100% of the Social Policy, History and Allied Health submissions were rated as being world-leading or internationally excellent



90% of the general Engineering submission was rated as being world-leading or internationally excellent



87% of research entered in Social Policy is recognised as world-leading or internationally excellent and Teesside is ranked joint fifth place from 62 submissions for this quality measure



73% of research entered in History is recognised as world-leading or internationally excellent



68% of research entered in Allied Health is recognised as world-leading or internationally excellent.

The 2014 REF results also highlighted strengths in two new categories submitted for assessment in Art and Design and English Language and Literature.

Enterprise and Business Engagement

Enterprise and business engagement are at the heart of Teesside University and are key elements of our institutional mission.

The University has a strategic aim to become the UK's leading employer-facing university through provision of a comprehensive business solutions service for business, industry and the public and voluntary sectors. We are one of only a handful of universities in the UK to be accredited with the Putting the Customer First accreditation.

We have created a culture that supports, promotes and celebrates enterprise and entrepreneurship. As a source of partnership, expertise, commercial income and employment opportunities for Teesside graduates, the business community is critical to the University's success.

The University places a strong emphasis on engendering an ethos of enterprise and business engagement, capable of responding to regional needs through knowledge and technology transfer, business support and advice, the placement of students within the work environment, work-based learning, and the creation of start-up companies. We have helped to incubate and spin-out over 400 businesses over recent years.

Features of this approach include:

- > The Forge – a distinctive and recognisable brand for all services to business, from employer led learning programmes through to Knowledge Transfer Partnerships
- > leadership of major regional initiatives, including DigitalCity, the Science to Business Hub and a large-scale graduate internship programme for smaller companies
- > professional business systems and processes, including a team of business account managers, a well-embedded customer relationship management system and a strong focus on quality (with Putting the Customer First accreditation)
- > developing entrepreneurship amongst staff and students.



The Forge

The Forge is Teesside University's new front-door for business. Developed following extensive consultation with the University's business partners and business-facing staff and launched earlier this year, it provides a single-point of contact for companies looking to access our business services.

The Forge was created in response to recommendations made in a government-commissioned review by Sir Andrew Witty, Chief Executive of GlaxoSmithKline, which said that universities should be drivers of economic growth and triage companies' needs through a single point of contact.

We work with hundreds of businesses every year and in 2014 the University was presented with the Queen's Anniversary Prize for 'world-class excellence' in the field of enterprise and business engagement. The Forge will build on this enviable reputation and continue to offer a range of services including research and innovation, consultancy, knowledge exchange, start-up incubation and mentoring and graduate placements.



Innovation

The University continued to develop its role as a provider of innovation services to business. A stronger focus on knowledge transfer resulted in a large pipeline of Knowledge Transfer Partnership (KTP) opportunities with companies, now translating into projects. The year ended with 12 live projects.

In its role as leader of the Enterprise Europe Network North East, the University supported over 100 companies with research, technology and commerce development, and entered into a new partnership with the Regional Technology Centre and Innovate UK (formerly the Technology Strategy Board) for a new phase of the network from 2015 to 2020.

Fusion Hive

Fusion Hive – a three-storey, 36,000ft² innovation hub for ambitious technology companies, managed by The Forge – was officially opened by Northern Powerhouse Minister James Wharton MP in October 2015. Developed in conjunction with Stockton Borough Council, it will support the growth and development of some of Tees Valley's most innovative fledgling companies, and is set to have a real impact on not only the Tees Valley's economy but the North East as a whole.



International Strategy

Teesside University takes a world view, which is why international students from over 100 countries have graduated through our programmes.

We have regional offices covering South East Asia (in Malaysia), South Asia (in India) and China, and a strong cohort of students from countries including India, China, Saudi Arabia, Iraq, Norway, Brazil, Spain, Malaysia, Bangladesh, Jordan, Thailand and Libya.

The University exercises a regional, national and international role through an extensive network of local, regional, national and international partnerships with educational institutions, professional bodies, and public and private enterprises.

International student numbers have grown compared with the previous year but we believe that we can achieve more. A full review of our international strategy, the potential of new markets and the viability of the office network has been completed and a range of actions are now being implemented. Transnational education has continued to develop in a careful and controlled manner and is becoming an increasingly important part of the international strategy. Further growth is planned for future years to continue to grow this area of activity and associated revenue streams.





Resources and Business Management

University Executive Team

Following the retirement of Professor Graham Henderson CBE DL after 12 years as Vice-Chancellor, the Board of Governors was delighted to appoint Professor Paul Croney to the role of Vice-Chancellor and Chief Executive from May 2015.

Having assessed the strategic management priorities of the University, in the context of its rapidly changing operating environment, the Vice-Chancellor, with the support of the Board, moved to implement a new executive management structure. That revised senior management structure is now in place and the Vice-Chancellor is supported by a University Executive Team comprising the Chief Operating Officer, four Pro Vice-Chancellors (Enterprise & Business Engagement; International; Learning & Teaching; Research & Innovation) and two Executive Directors (External Relations; Human Resources).





Campus Developments

We've invested a quarter of a billion pounds in our campuses in recent years – and we're not stopping there.

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.

Campus Heart – completed in summer 2015 – was a landmark development for Teesside University, creating a vibrant, flexible and attractive all-year-round outdoor space in response to the campus masterplan to link north and south sides of the campus. This creates a fully pedestrianised campus for the first time in the University's history.

The Curve – our state-of-the-art teaching building, providing a 120-seat collaborative lecture theatre and 1,476m² of flexible and innovative teaching and learning space.

A Living Wall – created around a giant plasma screen on the side of the Student Centre – providing an attractive focus for outdoor events, communications and showcasing.

The Orion Building – extensively refurbished as part of a major £6m programme of investment in the best facilities and latest technologies for School of Science & Engineering students. The new and enlarged building includes a three-storey glass extension, newly refurbished laboratories and workshops and the latest industry-standard equipment – including a flight simulator, jet engine testing facility, multi-storey distillation and separation columns and a power system simulator laboratory – to provide students with highly industrially relevant and representative learning experiences. The project also involved upgrading our testing and characterisation facilities, primarily in the Stephenson Building.

Health & Fitness Centre – a new £2.75m facility will open in January 2016, bringing together the University's sports and fitness facilities under one roof. Putting health and well-being at the heart of the Middlesbrough campus and University life, this attractive, high-quality facility will provide state-of-the-art cardiovascular and resistance fitness and free weights areas, a 30m sprint track, multi-purpose studios and a specialist treatment area.

Central Halls – the University has added to its portfolio of student accommodation with the recent purchase and refurbishment of the former Teesside Central building on Borough Road. Close to the main entrance to the University, it is convenient for lectures, the library and the Students' Union, as well as the town centre. The building comprises 75 apartments spread over ten floors, offering four to eight bedroomed apartments, all with communal kitchens, seating and dining areas, en-suite bathrooms and free internet access. The building has its own team of live-in wardens who are on hand to provide support outside of normal working hours.

In addition to the landmark developments detailed above, the University has completed an extensive, £1m+ refurbishment of the Students' Union building in the centre of campus and the final phase of redevelopment of the acclaimed University Library will be completed in 2016. A dedicated and inspiring education space in the landmark mima gallery building, and significant investment in continued rationalisation, acquisition and refurbishment of student accommodation will also be achieved within the next year.

Student Recruitment

The University continues to attract large numbers of applications from the region and increasingly from further afield in the UK and internationally. This reflects the growing competitive nature of higher education and the desire for the University to ensure a diverse and engaged student community.

The University experienced a challenging recruitment round in 2014/15. Whilst overall student numbers increased, the University did not meet its overall target. This was a reflection on the increasingly competitive nature of the sector, particularly for full time undergraduate students. The challenging postgraduate and part-time markets were also a key priority for our marketing and recruitment activity and we saw some encouraging signs of recovery in these areas. The significant NHS contract was once again fully met.

The University introduced a number of enhanced financial scholarships and bursaries to help support our new students. We continued to introduce new philanthropic scholarships and have significantly grown this area of our work to encourage donors to support students throughout their studies.

Our innovative marketing and recruitment campaigns continue to work hard in attracting applications from our traditional areas, as well as expanding our recruitment footprint into targeted areas for growth. This is achieved through careful analysis of the markets in which we operate, and working collaboratively with our academic schools and feeder schools and colleges across the county.



Raising Aspirations and Widening Participation

Raising awareness of higher education (HE) at an early age with pupils from a widening participation background is critically important for supporting progression to further education (FE) and HE in the region. The University continues to deliver a range of initiatives designed to drive up both aspirations and levels of educational participation across the Tees Valley, the wider North East, Yorkshire and Humberside and the North West.

Our Passport Scheme continues to offer impartial information and support to over 5,000 Passport students per annum in our 33 institutional members through a range of activities designed to enable students to make informed decisions.

In 2014/15, activities were delivered to over 23,000 pre-16 students and over 34,500 prospective post-16 students. We also engaged over 10,200 influencers (parents/guardians and teachers) in different settings, helping them to gain the information required to effectively support students at different points throughout their educational journey.

In addition, a range of events and activities have taken place with the University sponsored academies, black and minority ethnic (BME) community, looked after young people and students with disabilities to try and raise aspirations and break down barriers around university for these groups.

The placement of student ambassadors into schools and colleges, plus the recruitment of two graduate interns, has helped to provide young people across the region with positive role models to support higher attainment and aspiration.

The Summer University programme continues to make a substantial contribution to the University's recruitment of mature and non-standard entrants with an average progression to full and part-time programmes of over 47%.

The University open days in October 2014 and June 2015 brought over 3,200 prospective students, plus their families, on to the campus. After the October open day, 59% of visitors stated they would definitely choose to study at Teesside University, an increase of over 23% from arrival, highlighting the impact of open days as a key influencing tool. The University has also attracted over 1,300 students to part-time and postgraduate events, both on and off campus.

This year Teesside University joined the regional North East Raising Aspirations Partnership (NERAP), a collaboration of the five universities in the region, and is the host for the southern hub. The partnership works in collaboration with pre-16 students to ensure every young person has the opportunity to make informed decisions about higher education. The partnership is part of the National Networks for Collaborative Outreach (NNCO) and is officially recognised as the single point of contact for the region.

FINANCIAL REVIEW

Financial Highlights and Chief Operating Officer Overview

2014/15 has been a very successful financial year for Teesside University. It has delivered financial results ahead of budget and seen year on year improvement over 2013/14 on all key financial metrics.

2014/15 saw year on year improvement across the key financial metrics of:

- > Turnover (income)
- > Surplus on continuing operations
- > Cash generated from operating activities
- > Net margin
- > Net assets

During the year, Teesside University has delivered against the core elements of its Financial Strategy:

- > Financial stability and resilience
 - maintaining strong cash balances
 - holding minimal borrowing
- > Financial sustainability
 - returning a strong 2014/15 surplus
 - delivering strong investment in growth during the year
 - delivering significant cost efficiencies across the University during the year
- > Investment capability
 - significant campus investment
 - continued academic growth investment
 - enhanced infrastructure and student experience 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 across the University to stimulate and support future growth. This programme included £31.4m 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.

The financial year also saw the first stages of a new approach to resources and business management across the University, an approach which will be embodied in the new Resources and Business Management Strategy of the University. The purpose of the strategy is 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.

This will be delivered through a Resources and Business Management Strategy that:

- > ensures the financial resilience, sustainability and investment capability of the University;
- > maintains effective leadership, development and motivation of the workforce;
- > grows student numbers and revenue on and off campus;
- > delivers and maintains a high quality campus and associated infrastructure to maximise the student experience;
- > develops and delivers best in class strategic and professional services through a model of service excellence.

This has seen a more proactive approach to investment during the year, continued and rigorous focus on financial performance and the development of programmes and activities to drive growth, support change, deliver efficiencies and expand opportunities for commercial development.

The consolidation of activities within the portfolio of the Chief Operating Officer has also resulted in increased collaboration between services to seek to ensure that the best possible strategic and support services are delivered and this work will continue throughout 2015/16 and will include the formal establishment of a Service Excellence Programme.

Financial Analysis

The University's financial performance for 2014/15 can be summarised as follows:

- > Total income of £123.6m
- > Surplus on continuing operations of £6.2m
- > Historical cost surplus of £6.9m
- > £7.8m cash generated from operating activities
- > £31.4m investment in capital expenditure
- > Net assets of £134.0m

The consolidated results of the University are summarised below:

	2014/15 £m	2013/14 £m
Income	123.6	119.9
Expenditure	(117.4)	(114.5)
Surplus on continuing operations	6.2	5.4
Net margin	5.0%	4.5%

The University incurred restructuring costs of £1.8m following a strategic review of services. This is part of an ongoing wider review of University activities and programmes to ensure that the University remains financially sustainable.

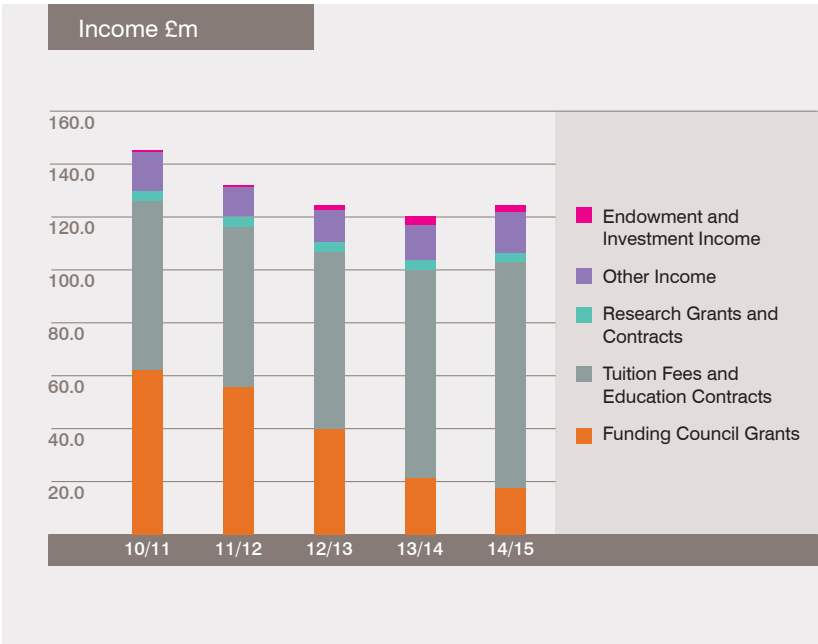
In a challenging funding and competitive environment the University is focused on achieving resilience, sustainability and effectiveness as it plans for continued investment in the student experience, the campus, infrastructure and equipment. This will be achieved through a continued focus on diversifying 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.

Income

Total income in the year was £123.6m representing an increase of 3.1 % over the previous year. This reversed the trajectory of recent years and is a positive indicator moving forward. The main movements year on year are:

- > Funding Council Grants decreased by £4.3m due to the continued reduction in grant following the introduction of the new fee regime in 2012/13.
- > Tuition fee income and education contracts increased by £8.6m. This was predominantly down to fee income from full-time home and EU students increasing by £5.9m and from part-time students by £2.1m, largely reflecting the new fee regime referred to above.

As more undergraduate students enter the University in the new fees regime so the balance of income shifts from teaching grant to tuition fees. Income from tuition fees and education contracts accounts for 70.6% of total income and is illustrated in the chart.



Expenditure

Total expenditure was £117.4m, an increase of £2.9m in the year. The main movement year on year is:

- > Staff costs were £76.2m, an increase of £2.8m or 3.9%, of which £1.4m (1.9%) related to increased pension adjustments and restructuring costs. Excluding FRS 17 costs and restructuring costs this represents 59.1% of total income.

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

Surplus

It is pleasing to report an increase in the operating surplus of almost £0.9m. It is important for the University to generate a surplus in order to support investment in teaching, research and infrastructure. The net margin of 5% represents strong performance for the year.

Balance Sheet

The net assets of the group increased during the year by £7.4m to £134.0m. The main areas of change were:

- > increase in fixed assets of £26.3m
- > reduction in cash and cash held on term deposits of £20.9m
- > reduction in the net pension liability of £2.5m

Capital Programme

The University has made a significant investment in its estate during the year with a number of major projects being undertaken. These major developments include:

- > The Curve, a flagship iconic building which provides state of the art teaching facilities. This was completed in September 2015.
- > A Campus Heart providing a very high quality focus for the campus consisting of both hard and soft landscaping.
- > The completion of a large scale pedestrianisation scheme in conjunction with Middlesbrough Council.
- > The creation of a green living wall incorporating a 36m² visual display screen which brings a striking visual impact to the Campus Heart.
- > An extension to the Orion building to provide enhanced STEM facilities, including a flight simulator, distillation columns and SCADA control equipment.
- > The purchase and refurbishment of Central Halls to provide significant high quality student accommodation and a new revenue income stream for the University.

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

Cash Flow

During the year £7.8m was generated from operating activities. There was a reduction of £7m in short term deposits and £13.9m in cash balances which related to the funding of the capital programme referred to above.

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.

Five year summary of key statistics

	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000	2010/11 £000
Funding Council grants	16,668	20,951	39,799	53,707	61,157
Tuition fees and education contracts	87,334	78,769	68,220	62,910	66,439
Research grants and contracts	2,283	3,022	3,067	2,862	3,622
Other operating income	14,971	13,802	12,506	12,154	14,104
Interest receivable	2,367	3,385	1,572	728	543
TOTAL INCOME	123,623	119,929	125,164	132,361	145,865
TOTAL EXPENDITURE	(117,396)	(114,576)	(114,953)	(121,001)	(133,290)
SURPLUS ON CONTINUING OPERATIONS	6,227	5,353	10,211	11,360	12,575
NET CASH INFLOW FROM OPERATING ACTIVITIES	7,835	5,619	12,406	13,458	8,558
(DECREASE)/INCREASE IN CASH AND BANK DEPOSITS IN THE YEAR	(20,858)	2,981	1,129	10,864	439
Fixed assets	132,066	105,739	105,400	108,254	111,013
Endowments	249	236	228	209	207
Net current assets	39,244	60,951	59,273	55,888	41,576
Creditors due after more than one year	(383)	(483)	(583)	(8,921)	(9,905)
Provisions	(4,973)	(5,188)	(5,328)	(5,559)	(5,386)
NET ASSETS BEFORE PENSION LIABILITY	166,203	161,255	158,990	149,871	137,505
Pension liability	(32,223)	(34,680)	(5,406)	(16,466)	(23,960)
NET ASSETS AFTER PENSION LIABILITY	133,980	126,575	153,584	133,405	113,545



Principal Risks and Uncertainties

The University risk register continues to be agreed by the University Executive Team and the Board of Governors, supported by the Audit Committee. The register is regularly updated and includes mitigating actions to reduce the impact and likelihood of all of its key risks. The University holds sufficient funds to enable it to respond promptly to unforeseen events.

The most significant risks for the University during 2014/15 continued to be inability to achieve enrolment targets for both home and international students. The home and international markets continue to be volatile, although there has been significant investment in both marketing, recruitment and portfolio development in 2014/15 so we would expect to see a more buoyant out-turn in 2015/16.

Recruitment of full-time postgraduate students continues to be challenging, with limited funding available. The University successfully implemented the HEFCE Postgraduate Support Scheme in 2014/15, providing 71 £10,000 scholarships to postgraduate students meeting certain criteria. This has positively impacted on our postgraduate enrolments for 2015/16. The Government has indicated that funding will be in place for postgraduate study from 2016/17 and we await further details.

Part-time recruitment has, nationally, also been in decline for a number of years, affected by the high levels of tuition fees that institutions now need to charge in order to recoup costs in the absence of grant funding and the non-availability of student loans for students with equivalent level qualifications and/or for small bite programmes of study. The University's marketing and recruitment activity continues to address these challenges and our work with local employers will help to revive the market, albeit slowly and in particular areas of portfolio and demand.

International student recruitment continued to be challenging in 2014/15, with UK immigration policies constraining the University's ability to recruit in key markets. However, following significant investment in both staff and non-staff resource, and a re-focusing of our international strategy, we expect our recruitment to return to growth over the coming years.

Trends and Factors Affecting Future Performance

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

Academic Profile

- > uncertain Government policy on variable tuition fees
- > continuing changes in patterns of student demand
- > the local economic environment and the changing training and knowledge transfer demands of key employers
- > revisions to our workforce development strategy, necessitated by policy and funding changes at national level
- > revisions to all portfolio areas to react to the changing market demands
- > further development and exploitation of key markets for international recruitment and transnational education delivery
- > the re-focus of our activities at the Darlington Campus, following the launch of The Forge
- > delivery of new areas of academic expertise and curriculum development, linked to external market demand, that can be capitalised upon to deliver future growth
- > further development of strategic partnerships with external stakeholders and partners that can anchor the University's activity and provide a platform for future growth
- > exploitation of emerging opportunities to expand access to learning through different modes of study such as flexible learning, work-based learning and distance learning
- > continued enhancement of the portfolio of student support and retention activities to maximise student progression and attainment
- > continued action to embed employability skills in all programmes of study and to deliver a step change in employment six months after graduation

External Factors

- > upcoming changes in HE policy and funding structures with the new Conservative Government
- > continuing to review the impact of the removal of the cap on student numbers
- > developments around postgraduate funding
- > the continuing challenge posed by demographic trends in the Tees Valley and wider North East regions
- > fundamental changes in the commissioning and funding of HE by government, the NHS and other public bodies
- > possible changes to the student-funding support regime
- > continuing intensification of the competition from other providers of HE, and expansion of the involvement of the private and FE sectors in HE delivery
- > funding of public sector pension schemes, and phasing out of default retirement age
- > continued changes in the funding of research and likely tendency towards greater concentration of research funding from all sources

Corporate Activity to Maintain Financial Sustainability

- > the need to continue to prioritise and maintain financial sustainability and resilience to ensure the University is able to proactively respond to its environment
- > increase of student recruitment numbers in home, international, postgraduate, part-time and distance learning markets
- > the prioritisation of funds for investment in growth across University activities including academic, student experience, marketing and estates priorities
- > the effective delivery of ongoing cost reduction and efficiency programmes
- > streamlining of systems and processes to improve operating efficiency
- > the need to continue to work in close strategic partnership with our local HE Business Partnership colleges whilst systematically expanding our international partnership network
- > continued diversification of revenue streams including a continued focus on further growth and enhancement of our well established business engagement activities (including consultancy and applied research) and other commercial activities.

Conclusion

The University continues to grow and respond to the changing sector environment. Our priority is to place our students at the heart of everything we do. The investment over the last twelve months in our campus developments and our portfolio, as well as the arrival of our new Vice-Chancellor, ensure that we are in a strong position to look forward with confidence to the next five-years and beyond.

The development of our new corporate strategy; Teesside 2020, ensures that we have the vision and resilience to become an international university with a reputation for academic excellence.

We remain acutely aware of the challenges ahead and our Teesside 2020 strategy, and in particular our strategic aims and outcomes is our response to that.



Chairman and Pro-Chancellor



Vice-Chancellor and Chief Executive

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.

In determining the University's objectives and activities, the Board of Governors has had due regard to the Charity Commission's latest guidance on the reporting of public benefit and, in particular, the supplementary guidance about the advancement of education.

There are two key principles of public benefit. First, there must be an identifiable benefit. Second, the benefit(s) must be to the public, or to a sufficient section of the public and not give rise to incidental personal benefit.

Teesside 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. Efforts are made to ensure that incidental individual benefit does not arise from University activities through policies, procedures, checks and balances.

The University prioritises the overall quality of the student experience, and strives to sustain an excellent, supportive and friendly environment through which students are enabled to achieve. The University offers its students an extensive range of accessible learning resources and remains heavily committed to providing additional opportunities to maximise the employability of students, including placements and internships. The Quality Assurance Agency (QAA) 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 and expanding partnership network with local and regional further education colleges.

Teesside University continues to play a critical role in helping to deliver the Strategic Economic Plan of the Tees Valley Local Enterprise Partnership, having created a thriving cluster of digital and creative businesses in the Tees Valley through the DigitalCity project. In addition, through its deep and wide-ranging engagement with industry, the University continues to positively and proactively work to fill knowledge and skill gaps identified by employers across a number of other sectors of key importance to the local and regional economy.

The successes of this activity is reflected in the University's recent receipt of a Queen's Anniversary Prize for business engagement, and the University having been shortlisted three times as the *Times Higher Education* Entrepreneurial University of the Year.

Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012. Its purpose is to help the reader of these accounts to understand how the principles have been applied.

The University complies with the Code that forms Section 2 of the Higher Education Code of Governance, which was issued by the Committee of University Chairs in December 2014.

Summary of the University's Structure of Corporate Governance

The University's Board of Governors is responsible for reviewing the effectiveness of the University's system of internal control. Board members are Trustees of the University as an exempt charity. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. The most recent HEFCE Assurance Review of the University's arrangements for exercising accountability for the public funding it receives, was a very positive review and concluded that it was able to place reliance on the University's accountability information and no recommendations were made.

The University's Board of Governors comprises up to 17 lay persons appointed under the University's Instrument and Articles of Government, four representatives of staff and students, and the University's Chief Executive, the Vice-Chancellor. The role of Chair of the Board of Governors is separated from the role of the University's Chief Executive, the Vice-Chancellor. The Board of Governors is ultimately responsible for all activities of the University. By the Instrument and Articles of Government, and under the Memorandum of Assurance and Accountability with the HEFCE, the Board of Governors is responsible for the ongoing strategic direction of the University, approval of major developments, and the receipt of regular reports from the Vice-Chancellor and the Board's committees on the operations of its business and its subsidiary companies.

The Board of Governors meets approximately six times a year, and has several committees, including a Resources Committee, a Nomination Committee, a Remuneration Committee, an Audit Committee, a Student Experience 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 Audit Committee meets at least three times a year. 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 members of this committee also receive and consider reports from the HEFCE as they affect the University's business, and monitor adherence with the regulatory requirements. They review 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, from time to time, the Committee meets with the external auditors or the internal auditors on their own for independent discussions.

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 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.



Board of Governors

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

Independent Members

Mr Robin Bloom

Mr Paul Booth OBE

Ms Alison Clark-Jenkins (retired December 2014)

Mr Bob Cuffe

Mr Chris Fleetwood (Treasurer)

Professor Tricia Hart

Mr David Heaton OBE

Mr John Irwin

Ms Shahda Khan MBE

Ms Sue Kiddle

Mr Alastair MacColl (Chairman and Pro-Chancellor)

Ms Amanda Skelton

Mr Steve Tonks

Vice-Chancellor and Chief Executive

Professor Paul Croney (appointed May 2015)

Professor Graham Henderson CBE DL (retired May 2015)

Staff and Student Representatives

Mr David Eagle

Ms Jill Morgan (appointed July 2015)

Ms Ashley Mehnert (appointed July 2015)

Ms Lynn Percy (resigned May 2015)

Mr Will Ridley (resigned July 2015)

Mrs Beverly Simpson (appointed May 2015)

Dr Mark Simpson (resigned July 2015)

Co-opted Members

Dr Jane Atkinson

Mr John Hogg

Mr Edward Kunonga

Mr Alastair Waite

Mr Darren Winter (retired May 2015)

Clerk

Professor Liz Holey (retired July 2015)

Secretary

Mr Mark White

Responsibilities of the Board of Governors

Statement of Primary Responsibilities

Produced in accordance with the Higher Education Code of Governance 2014.

1 Principal Responsibilities of the Board

Under Article 3.1 of the Articles of Government for Teesside University, the Board of Governors is responsible for:

- 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 the Corporation, and the safeguarding of their 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);
- the consideration of the amendment or revocation of these Articles of Government (in accordance with the provisions of Article 16).

The principal responsibilities of the Board of Governors as identified in the Higher Education Code of Governance 2014 are:

- 1.1 To safeguard the good name and values of the University.
- 1.2 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.
- 1.3 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.
- 1.4 To receive assurance that adequate provision as has been made for the general welfare of students.
- 1.5 To ensure that the University's Instruments and Articles are followed at all times and that appropriate advice is available to enable this to happen.
- 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 establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself.
- 1.8 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.
- 1.9 To appoint the head of the University as Chief Executive, and to put in place suitable arrangements for monitoring their performance.
- 1.10 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.
- 1.11 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 act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.

1.13 To be the employing authority for all staff in the University and to be responsible for establishing a Human Resources Strategy.

1.14 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.

1.15 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.

2 Members of the Board of Governors

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. The University publishes a Register of Interests of Members of the Board of Governors.

3 Chair of the Board of Governors

The Chair is responsible for the leadership of the Board of Governors and ultimately to the stakeholders for its effectiveness. The Chair ensures that the Board operates effectively, and in accordance with the "Nolan" Principles of Public Life; and that the work of Members – on the Board and on its Committees – is coordinated. The Chair of the Board is ex-officio Chair of the Nomination Committee, the Appointments Committee, and the Remuneration Committee. The Board has granted delegated authority to the Chair by specific Board resolutions, but has not agreed that there are any general circumstances when the Chair may act on its behalf. In exceptional circumstances, where it may be expedient for the Chair to act on behalf of the Board, the advice of a specified number of Governors should be obtained beforehand, such as the Chair's Advisory Panel constituted by an inquorate 'meeting'. The Chair has a significant role in the appointments procedure and the disciplinary procedure relating to the University Executive Team.

4 Vice-Chancellor and Delegated Authority

4.1 The Vice-Chancellor is the Chief Executive of the University, and the Articles specify that, subject to the responsibilities of the Board, he has responsibility:

- For making proposals to the Board about the educational character and mission of the University, and for implementing the decisions of the Board.
- For the organisation, direction and management of the University and leadership of the staff.
- For the assignment of duties and appraisal of the Chief Operating Officer, the Pro Vice-Chancellors and the University Secretary; and, within the framework set by the Board, the appointment, assignment of duties, grading, appraisal, suspension, dismissal, and determination of the pay and conditions of service of staff other than the other two senior post holders.
- For the determination, after consultation with the Academic Board, of the University's academic activities; and for the determination of its other activities.
- For the preparation of annual estimates of income and expenditure, for consideration by the Board, and for the management of budgets and resources, within the estimates approved by the Board. The Vice-Chancellor is the Accounting Officer in respect of the use of funds provided by the HEFCE.
- For the maintenance of student discipline, and, within the Articles and associated regulations, for the suspension or expulsion of students on disciplinary grounds and for the implementation of decisions to expel students for academic reasons.
- For the determination of the dates of terms and holidays for the University, after consultation with the Academic Board.

4.2 The Board of Governors is responsible for making clear, and regularly reviewing, the authority delegated to the Vice-Chancellor as Chief Executive, in addition to that conferred directly on the Vice-Chancellor by the Instrument and Articles of Government.

The Board has not delegated to the Vice-Chancellor the Principal Responsibilities of the Board as set out in Section 1 of this Statement.

4.3 The Vice-Chancellor may delegate to members of the University Executive Team and/or to Deans and Directors of Departments the authority to exercise functions assigned to him by the Articles, subject to the specific caveat that the Vice-Chancellor may not delegate his personal responsibility for ensuring compliance with the regulations relating to the suspension of staff.

In causing the Financial Statements to be prepared, the Board of Governors has ensured that:

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

The Board of Governors has taken reasonable steps to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, senior management and heads of academic 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.

Statement of Internal Control

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

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 and not absolute assurance of effectiveness.

The system of internal control is based on a continuous process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process, which accords with the HEFCE guidance, has been in place for the year ended 31 July 2015 and up to the date of approval of the Financial Statements.

The Board of Governors, through the Audit Committee, has overall responsibility for reviewing the Statement 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 University's strategy to manage risk:

- the University has adopted a range of policies and procedures to reflect risk management principles
- a key element of the University's approach to risk management is clear reporting of the Risk Management Policy, risk register, and the processes in place to manage and mitigate risk
- a Risk Management Framework is in place which forms the basis of detailed risk identification and management
- the Vice-Chancellor's 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 corporate risk register is in place and is reviewed at least annually
- the corporate risk register is supported by risk management statements in the development plans of each School and department, covering both corporate and operational risks
- responsibility for monitoring each key risk has been assigned to senior officers of the University with the 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; and
- the Board of Governors receives regular reports from the Chair of the Audit Committee concerning internal control and it requires regular reports from senior managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects.

Independent Auditor's Report to the Board of Governors

We have audited the financial statements of Teesside University for the year ended 31 July 2015 which comprise the consolidated income and expenditure account, the consolidated and University balance sheets, the consolidated cash flow statement, the consolidated statement of historical cost surpluses and deficits, the consolidated statement of total recognised gains and losses and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Board of Governors in accordance with the Memorandum of Assurance and Accountability effective August 2014.

Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it 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 Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board of Governors and Auditor

As explained more fully in the Board of Governors' Responsibilities Statement, the Board of Governors is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and the University's affairs as at 31 July 2015 and of its surplus for the year then ended and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on Other Matters Prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- income from the Funding Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2015 have been applied for the purposes for which they were received and
- income during the year ended 31 July 2015 has been applied in accordance with the University's statutes and, where appropriate, with the Memorandum of Assurance and Accountability, with the Funding Council and
- the requirements of HEFCE's accounts direction have been met.

Deloitte UK

Deloitte LLP
CHARTERED ACCOUNTANTS
AND STATUTORY AUDITOR
Leeds, England

25 november 2015

Statement of Principal Accounting Policies

Basis of Preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards.

The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of Consolidation

The consolidated Financial Statements include the University, its subsidiary undertakings and the Friends of the University of Teesside Trust for the financial year to 31 July 2015. Intra-group transactions are eliminated on consolidation.

The consolidated Financial Statements do not include those of the Students' Union because the University does not control those activities.

Income Recognition

Funding council block grants are accounted for in the period to which they relate.

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

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

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

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

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

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

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

Agency Arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Leases and Hire Purchase Contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

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

Taxation

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in paragraph 1 schedule 6 of the Finance Act 2010. Therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 Corporation Taxes Act 2009 and sections 471, and 478-488 Corporation Taxes Act 2010 (formerly section 505 of the Income and Corporation Taxes 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.

All UK subsidiary companies 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 tangible 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 education or training provided by a university subsidiary is an exempt supply of education.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Land and Buildings

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

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

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

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other directly attributable costs incurred to 31 July 2015.

Depreciation

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

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

Acquisition with the Aid of Specific Grants

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

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

Repairs and Maintenance

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

Equipment and Furniture

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

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

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the policy set out above, with the related grant credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Heritage Assets

Items that meet the definition under FRS 30 of a Heritage Asset (a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture) are capitalised. Any Heritage Assets owned by the University will be held at cost or valuation where reasonably obtainable.

Investments

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

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

Stock

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

Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise term deposits and government securities. They exclude any such assets held as endowment asset investments.

Intra-group Transactions

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

Foreign Currency Translations

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Accounting for Charitable Donations

Unrestricted Donations

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

Endowment Funds

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

- restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income
- restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Accounting for Retirement Benefits

The University contributes to the Universities Superannuation Scheme (USS), the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS). All schemes are defined benefit schemes, which are contracted out of the Second State Pension (S2P).

The assets of the USS and TPS are held in separate trustee-administered funds. Because of the nature of the schemes, their assets are not hypothecated to individual institutions and scheme-wide contribution rates are set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of these schemes on a consistent and reasonable basis and therefore as required by FRS 17 Retirement Benefits, accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

The University is able to identify its share of assets and liabilities of the LGPS and thus the University fully adopts FRS 17 Retirement Benefits.

Provisions

Provisions are recognised in the Financial Statements when the University has a present obligation (legal or constructive) as a result of a past event. It is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Consolidated Income and Expenditure Account

	Note	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Income			
Funding council grants	1	16,668	20,951
Tuition fees and education contracts	2	87,334	78,769
Research grants and contracts	3	2,283	3,022
Other income	4	14,971	13,802
Endowment and investment income	5	2,367	3,385
Total Income		123,623	119,929
Expenditure			
Staff costs	6	76,177	73,341
Other operating expenses		36,163	36,266
Depreciation	10	5,020	4,925
Interest and other finance costs	7	36	44
Total Expenditure	8	117,396	114,576
Surplus on continuing operations after depreciation of assets at valuation before and after tax		6,227	5,353
Surplus for the year transferred to accumulated income in endowment funds		(2)	(3)
Surplus for the year retained within general reserves	21	6,225	5,350

All items of Income and Expenditure arise from continuing operations.

Statement of Group Historical Cost Surpluses and Deficits

	Note	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		6,227	5,353
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	631	632
Transfer from revaluation reserve to income and expenditure account relating to revalued building written off in year		–	217
Historical cost surplus for the year before and after tax		6,858	6,202

Statement of Group Total Recognised Gains and Losses

	Note	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		6,227	5,353
Appreciation of endowment assets	20	11	5
Actuarial gain/(loss) in respect of pension scheme	28	1,657	(31,524)
Total recognised gains/(losses) relating to the year		7,895	(26,166)
Reconciliation			
Opening reserves and endowments		110,493	136,659
Total recognised gains/(losses) for the year		7,895	(26,166)
Closing reserves and endowments		118,388	110,493

Balance Sheets as at 31 July

		Consolidated		University	
	Note	2015 £000	2014 £000	2015 £000	2014 £000
Fixed assets					
Tangible assets	10	132,036	105,709	132,280	105,953
Investments	11	30	30	59	59
		132,066	105,739	132,339	106,012
Endowment assets	12	249	236	249	236
Current assets					
Stock		80	41	80	41
Debtors	13	12,262	10,644	13,399	12,542
Investments	14	32,500	39,500	32,500	39,500
Cash at bank and in hand		18,859	32,717	17,901	31,109
		63,701	82,902	63,880	83,192
Less: creditors – amounts falling due within one year	15	(24,457)	(21,951)	(25,456)	(23,110)
Net current assets		39,244	60,951	38,424	60,082
Total assets less current liabilities		171,559	166,926	171,012	166,330
Less: creditors – amounts falling due after more than one year	16	(383)	(483)	(383)	(483)
Less: provisions for liabilities	18	(4,973)	(5,188)	(4,973)	(5,188)
Total net assets excluding pension liability		166,203	161,255	165,656	160,659
Net pension liability	28	(32,223)	(34,680)	(32,223)	(34,680)
Total net assets including pension liability		133,980	126,575	133,433	125,979

Balance Sheets as at 31 July continued

	Note	Consolidated		University	
		2015 £000	2014 £000	2015 £000	2014 £000
Deferred capital grants	19	15,592	16,082	15,592	16,082
Endowments					
Expendable		42	42	42	42
Permanent		207	194	207	194
	20	249	236	249	236
Reserves					
Income and Expenditure account excluding pension reserve		133,633	127,577	133,086	126,981
Pension reserve	28	(32,223)	(34,680)	(32,223)	(34,680)
Income and Expenditure account including pension reserve	21	101,410	92,897	100,863	92,301
Revaluation reserve	22	16,729	17,360	16,729	17,360
Total reserves		118,139	110,257	117,592	109,661
Total funds		133,980	126,575	133,433	125,979

The Financial Statements on pages 42 to 69 were approved by the Board of Governors on 20 November 2015 and were signed on its behalf by:



Chairman and Pro-Chancellor



Vice-Chancellor and Chief Executive

Consolidated Cash Flow Statement

	Note	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Net cash inflow from operating activities	23	7,835	5,619
Returns on investments and servicing of finance	24	467	726
Capital expenditure and financial investment	24	(29,075)	(3,241)
Management of liquid resources	24	7,000	(6,500)
Financing	24	(642)	(642)
Decrease in cash in the year		(14,415)	(4,038)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year		(14,415)	(4,038)
Change in short-term deposits		(7,000)	6,500
Change in debt		642	642
Change in net funds		(20,773)	3,104
Net funds at 1 August		71,751	68,647
Net funds at 31 July	25	50,978	71,751

Notes to the Financial Statements

1 Funding Council Grants

	2015 £000	2014 £000
Recurrent grant received from HEFCE	13,596	18,155
Specific grants		
Higher Education Innovation Fund	1,280	1,154
Teaching Capital Investment Fund	823	–
Transition Funding	59	577
Other	219	63
Deferred capital grants released in year		
Buildings (note 19)	200	200
Equipment (note 19)	491	802
	16,668	20,951

2 Tuition Fees and Education Contracts

	2015 £000	2014 £000
Full-time home and EU students	47,934	42,077
International students	8,816	8,313
Part-time students	9,938	7,801
Education contracts	20,646	20,578
	87,334	78,769

3 Research Grants and Contracts

	2015 £000	2014 £000
Research Councils	239	333
UK-based charities	205	228
UK central government	783	490
UK Health Service	187	372
European Commission	654	1,375
Other grants and contracts	215	224
	2,283	3,022

4 Other Income

	2015 £000	2014 £000
Residences, catering and conferences	4,619	4,286
Other income-generating activities	934	1,051
Other grant income	4,878	4,364
Release from deferred capital grants (note 19)	434	459
Other income	4,106	3,642
	14,971	13,802

5 Endowment and Investment Income

	2015 £000	2014 £000
Income from permanent endowments (note 20)	4	5
Income from short-term investments	461	567
Pension finance return (note 28)	1,902	2,813
	2,367	3,385

6 Staff

	2015 £000	2014 £000
Staff costs		
Wages and salaries	60,356	59,105
Social security costs	4,857	4,776
Occupational pension scheme costs (note 28)		
Employer contributions	7,865	7,776
FRS 17 Adjustments	1,102	563
	8,967	8,339
Increase in the provision for enhanced pensions (note 18)	176	249
Restructuring costs	1,821	872
	76,177	73,341

Emoluments of the Vice-Chancellors

a) Professor Graham Henderson CBE DL was Vice-Chancellor until May 2015

	2015 £	2014 £
Salary	186,331	222,121
Pension compensation (paid as salary)	22,858	8,762
Non-consolidated bonus	20,000	14,000
Benefits in kind	13,496	16,990
	242,685	261,873
Pension costs	–	20,810
	242,685	282,683

b) Professor Paul Croney was appointed Vice-Chancellor from May 2015

	2015 £	2014 £
Salary	52,500	–
Expense Allowance	2,250	–
Benefits in kind	611	–
	55,361	–
Pension costs	7,402	–
	62,763	–

Compensation for loss of office of £420,734 (2014- £nil) was paid to four employees earning in excess of £100,000.

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

	2015 number	2014 number
£100,000 - £109,999	3	3
£130,000 - £139,999	1	1
£140,000 - £149,999	1	1
£150,000 - £159,999	1	–

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

Academic and research	715	718
Administrative and technical	798	800
Other	137	142
	1,650	1,660

7 Interest and Other Finance Costs

	2015 £000	2014 £000
Bank loans not wholly repayable within five years	36	44

8 Analysis of Total Expenditure by Activity

	2015 £000	2014 £000
Academic departments	61,044	60,308
Academic services	15,888	15,499
Research grants and contracts	2,499	2,692
Residences, catering and conferences	3,401	3,232
Premises	10,793	10,975
Administration	16,505	16,539
Other	7,266	5,331
	117,396	114,576

Other operating expenses include

External auditor's remuneration in respect of audit services	52	49
External auditor's remuneration in respect of non-audit services	42	12
Operating lease rentals		
Land and buildings	917	958
Equipment	122	125

9 Surplus Attributable to Parent Undertaking

The surplus dealt with in the accounts of the parent undertaking was £6,274,000 (2014: £5,307,000).

10 Tangible Fixed Assets

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Heritage assets	Total
Consolidated	£000	£000	£000	£000	£000	£000
At 1 August 2014	142,562	2,550	185	23,212	–	168,509
Additions in year	11,164	19,022	–	1,113	66	31,365
Transfers in year	655	(655)	–	–	–	–
Disposals in year	–	–	(36)	–	–	(36)
Written off in year	–	–	–	(966)	–	(966)
At 31 July 2015	154,381	20,917	149	23,359	66	198,872

Depreciation

At 1 August 2014	41,417	–	117	21,266	–	62,800
Charge for year	3,765	–	23	1,232	–	5,020
Disposals in year	–	–	(18)	–	–	(18)
Written off in year	–	–	–	(966)	–	(966)
At 31 July 2015	45,182	–	122	21,532	–	66,836

Net Book Value

At 31 July 2015	109,199	20,917	27	1,827	66	132,036
At 31 July 2014	101,145	2,550	68	1,946	–	105,709

10 Tangible Fixed Assets continued

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Heritage assets	Total
University	£000	£000	£000	£000	£000	£000
Cost/Valuation						
At 1 August 2014	142,925	2,550	185	21,858	–	167,518
Additions in year	11,164	19,022	–	1,113	66	31,365
Transfers in year	655	(655)	–	–	–	–
Disposals in year	–	–	(36)	–	–	(36)
Written off in year	–	–	–	(966)	–	(966)
At 31 July 2015	154,744	20,917	149	22,005	66	197,881
Depreciation						
At 1 August 2014	41,417	–	117	20,031	–	61,565
Charge for year	3,765	–	23	1,232	–	5,020
Disposals in year	–	–	(18)	–	–	(18)
Written off in year	–	–	–	(966)	–	(966)
At 31 July 2015	45,182	–	122	20,297	–	65,601
Net Book Value						
At 31 July 2015	109,562	20,917	27	1,708	66	132,280
At 31 July 2014	101,508	2,550	68	1,827	–	105,953

FRS 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.

10 Tangible Fixed Assets continued

Analysis of cost or valuation

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Heritage assets	Total
	£000	£000	£000	£000	£000	£000
Consolidated						
1997 Professional Valuation	47,767	–	–	–	–	47,767
1997 University Valuation	645	–	–	–	–	645
1998 University Valuation	1,999	–	–	–	–	1,999
Cost	103,970	20,917	149	23,359	66	148,461
At 31 July 2015	154,381	20,917	149	23,359	66	198,872

University

1997 Professional Valuation	47,767	–	–	–	–	47,767
1997 University Valuation	645	–	–	–	–	645
1998 University Valuation	1,999	–	–	–	–	1,999
Cost	104,333	20,917	149	22,005	66	147,470
At 31 July 2015	154,744	20,917	149	22,005	66	197,881

Asset revaluations

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

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

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Cost	126,973	115,154	127,277	115,458
Accumulated depreciation and impairment	(33,803)	(30,669)	(33,803)	(30,669)
	93,170	84,485	93,474	84,789

11 Fixed Asset Investments

	Other Investments £000		
Consolidated			
Cost			
At 31 July 2015 and 31 July 2014	30		
	Other Investments £000	Subsidiary Undertakings £000	Total £000
University			
Cost			
At 31 July 2015 and 31 July 2014	30	29	59

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

Subsidiary Undertaking	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)

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.

12 Endowment Assets

	Consolidated and University £000
At 1 August 2014	236
Additions	25
Disposals	(8)
Net appreciation on disposals and on revaluation	11
Decrease in cash balances held for endowment funds	(15)
At 31 July 2015	249

	Valuation at 31 July 2015 £000	Valuation at 31 July 2014 £000
Equities	147	119
Bank balances	102	117
Total endowment asset investments	249	236
Equities at cost	118	100

13 Debtors

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Debtors	6,664	7,197	6,219	5,297
Prepayments and accrued income	5,598	3,447	4,120	3,379
Amounts due from subsidiary undertakings	–	–	3,060	3,866
	12,262	10,644	13,399	12,542

14 Investments

	Consolidated and University 2015 £000	Consolidated and University 2014 £000
Deposits maturing in one year or less	32,500	39,500

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

At 31 July 2015 the weighted average interest rate of these fixed rate deposits was 1.0% and the remaining weighted average period for which the interest rate is fixed on these deposits was 179 days. The fair value of these deposits was not materially different from the book value.

15 Creditors – amounts falling due within one year

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Mortgages and unsecured loans	100	100	100	100
Payments received on account	6,916	6,120	6,458	4,964
Creditors	7,178	7,052	7,156	7,029
Social security and other taxation payable	1,675	1,489	1,671	1,489
Accruals and deferred income	8,588	7,190	8,582	7,005
Amounts due to subsidiary undertakings	–	–	1,489	2,523
	24,457	21,951	25,456	23,110

16 Creditors – amounts falling due after more than one year

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Loans secured on residential and other property repayable by 2020	383	483	383	483

17 Borrowings – bank loans and overdrafts

	Consolidated and University 2015 £000	Consolidated and University 2014 £000
Bank loans and overdrafts are repayable as follows:		
Within one year	100	100
Between one and two years	100	100
Between two and five years	283	300
In five years or more	–	83
	483	583

Bank loans include 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 2015 the amount of the loan outstanding was £4,334,000 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.

18 Provisions for Liabilities

Consolidated and University	Enhanced pensions £000
At 1 August 2014	5,188
Increase	176
Utilised in year	(391)
At 31 July 2015	4,973

Enhanced pensions

The pension provision is in respect of pension enhancements payable to staff who have taken early retirement.

The assumptions for calculating this provision are as follows:

	31 July 2015	31 July 2014
Discount rate	3.0%	3.7%
Inflation	2.9%	2.9%

19 Deferred Capital Grants

Consolidated and University	HEFCE £000	Other Grants £000	Total £000
At 1 August 2014			
Buildings	4,692	10,123	14,815
Equipment	674	593	1,267
Total	5,366	10,716	16,082
Cash received and receivable			
Equipment	500	135	635
Released to Income and Expenditure Account			
Buildings (notes 1 and 4)	200	298	498
Equipment (notes 1 and 4)	491	136	627
Total	691	434	1,125
At 31 July 2015			
Buildings	4,492	9,825	14,317
Equipment	683	592	1,275
Total	5,175	10,417	15,592

20 Endowments

Consolidated and University	Restricted Expendable £000	Restricted Permanent £000	2015 Total £000	2014 Total £000
At 1 August 2014				
Capital	39	80	119	114
Accumulated income	3	114	117	114
	42	194	236	228
Investment income	–	4	4	5
Expenditure	–	(2)	(2)	(2)
	–	2	2	3
Increase in market value of investments	–	11	11	5
At 31 July 2015	42	207	249	236
Represented by				
Capital	39	91	130	119
Accumulated income	3	116	119	117
	42	207	249	236
Analysis by type of purpose:				
Lectureships	11	–	11	11
Prize funds	13	5	18	19
Scholarships and bursaries	18	31	49	49
Research support	–	171	171	157
	42	207	249	236

Major endowments

Restricted permanent endowments include one major individual fund:

The Peter Berg Foundation is used to finance scientific research relating to the study of mechanical engineering, metallurgy, metrology, chemical engineering, biotechnology, chemistry, civil engineering, structural engineering, building instrumentation, control engineering, and electronic and computer engineering provided that the results of such research shall be disseminated for the benefit of the public.

The movement on this fund for the year was as follows:

	£000
At 1 August 2014	157
Investment income	4
Expenditure	(1)
Increase in market value of investments	11
At 31 July 2015	171

21 Income and Expenditure Account

	Consolidated £000	University £000
At 1 August 2014	92,897	92,301
Surplus retained for the year	6,225	6,274
Transfer from revaluation reserve	631	631
Actuarial gain in respect of pension scheme	1,657	1,657
At 31 July 2015	101,410	100,863

22 Revaluation Reserve

	Consolidated and University £000
At 1 August 2014	17,360
Transfer to Income and Expenditure Account	(631)
At 31 July 2015	16,729

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 Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

	2015 £000	2014 £000
Surplus after depreciation of assets at valuation and before tax	6,227	5,353
Depreciation and write offs	5,020	5,142
Deferred capital grants released to income	(1,125)	(1,461)
Investment income	(465)	(572)
Interest payable	36	44
Loss on sale of fixed assets	–	34
FRS17	(800)	(2,250)
(Increase)/decrease in stocks	(39)	6
Increase in debtors	(1,642)	(3,169)
Increase in creditors	838	2,632
Decrease in provisions	(215)	(140)
Net cash inflow from operating activities	7,835	5,619

24 Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

	2015 £000	2014 £000
Returns on investments and servicing of finance		
Income from endowments	4	5
Interest received	503	766
Other interest paid	(40)	(45)
Net cash inflow for returns on investments and servicing of finance	467	726
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(29,693)	(3,900)
Endowment funds invested	(25)	(34)
Sale of tangible fixed assets	18	21
Sale of endowment asset investments	8	54
Deferred capital grants received	617	618
Net cash outflow for capital expenditure and financial investment	(29,075)	(3,241)
Management of liquid resources		
Net movement in short-term deposits	7,000	(6,500)
Financing		
Repayment of bank loan	(642)	(642)

25 Analysis of Changes in Net Funds

	At 1 August 2014 £000	Cash Flows £000	Other Non-cash Changes £000	At 31 July 2015 £000
Cash at bank and in hand				
Endowment assets	117	(15)	–	102
Other	32,717	(13,858)	–	18,859
	32,834	(13,873)	–	18,961
Short-term deposits	39,500	(7,000)	–	32,500
Debt due within 1 year	(100)	100	(100)	(100)
Debt due after 1 year	(483)	–	100	(383)
	71,751	(20,773)	–	50,978

26 Lease Obligations

	Consolidated and University 2015 £000	Consolidated and University 2014 £000
At 31 July the annual commitments under operating leases were as follows:		
Buildings		
Expiring within one year	738	1,007
Equipment		
Expiring within one year	44	–
Expiring between one and two years	84	44
Expiring between two and five years	–	84
	866	1,135

27 Future Capital Commitments

	Consolidated and University 2015 £000	Consolidated and University 2014 £000
Commitments contracted at 31 July	9,499	17,634

28 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). Ten members (2014: six) of staff are members of the Universities Superannuation Scheme.

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

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
TPS: contributions paid	3,986	4,032
TPF: contributions paid	3,757	3,667
FRS 17	1,102	563
Contributions paid to other pension schemes	122	77
Total Pension Cost (note 6)	8,967	8,339
Outstanding pension contributions at 31 July	1,046	1,042

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

	TPS	TPF
Investment returns per annum	6.5%	5.4%
Salary scale increase per annum	4.4%	3.9%
Pension increase per annum	2.9%	2.4%
Market value of assets at date of last valuation	£115,800m	£2,956m
MFR proportion of members' accrued benefits covered by the actuarial value of the assets	99.5%	101%

Basic employer contribution rates used during the year to 31 July 2015:

TPS	TPF
14.1%	13.3%

Teachers' Pension Scheme

TPS is actuarially valued by the Government Actuary. The last actuarial valuation was as at 31 March 2012 which determined the employer contribution rate payable in respect of the period 1 April 2015 to 31 March 2019. The previous actuarial valuation was as at 31 March 2004. Contributions are paid by the University at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. The contribution rate payable by the employer is 14.1% of pensionable salaries and this will increase to 16.4% with effect from 1 September 2015 following the 2012 valuation.

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

Teesside Pension Fund

TPF is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the TPF actuary reviews the progress of the TPF scheme.

For the TPF, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The contribution payable by the employer was reduced from 15.1% to 13.3% of pensionable salaries from April 2014. However, the University is required to make an additional monetary contribution of £268,000 per annum with effect from 1 April 2014 for 3 years.

Under the definitions set out in FRS 17, the TPF is a multi-employer defined benefit pension scheme. In the case of the TPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2015.

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

A full actuarial valuation was carried out at 31 March 2013 and updated to 31 July 2015 on an FRS 17 basis by a qualified independent actuary. The material assumptions used by the actuary for FRS 17 at 31 July were:

	2015	2014
	%	%
Price increases	3.2	3.2
Salary increases	2.1	3.7
Pension increases	2.1	2.2
Discount rate	3.6	4.1

28 Pension Schemes continued

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2015 Years	2014 Years
Retiring today		
Males	23.0	22.9
Females	25.2	25.4
Retiring in 20 years		
Males	25.5	25.1
Females	27.8	27.7

The Scheme actuary employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 July 2015.

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

	2015		2014	
	Share of assets	Long-term return	Share of assets	Long-term return
	%	%	%	%
Equities	82.3	7.5	82.1	7.8
Gilts	1.7	3.2	1.9	3.3
Other bonds	1.6	3.7	4.4	4.0
Property	6.2	6.8	5.4	7.3
Cash	6.4	1.1	3.9	0.9
Other	1.8	7.5	2.3	7.8

28 Pension Schemes continued

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

	2015	2014
	£000	£000

Analysis of the amount shown in the balance sheet

University's estimated asset share	130,973	119,746
Present value of the University's estimated share of scheme liabilities	(163,196)	(154,426)
Deficit in the scheme – (Net pension liability)	(32,223)	(34,680)

Analysis of the amount charged to staff costs within operating surplus

Current service cost	4,764	4,215
Past service cost	95	15
Total operating charge	4,859	4,230

Analysis of amount credited to other finance income

Expected return on pension scheme assets	8,293	8,609
Interest on pension scheme liabilities	(6,391)	(5,796)
Net return	1,902	2,813

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

Actual return less expected return on the University's share of pension scheme assets	1,112	(13,006)
Actuarial gains/(losses) on liabilities including changes in assumptions underlying the present value of the scheme liabilities	545	(18,518)
Actuarial gain/(deficit) recognised in STRGL	1,657	(31,524)

Movement in deficit during the year

Deficit in the scheme at 1 August	(34,680)	(5,406)
Movement in year:		
Current service costs	(4,764)	(4,215)
Past service costs	(95)	(15)
Contributions	3,757	3,667
Other finance income	1,902	2,813
Actuarial gain/(deficit)	1,657	(31,524)
Deficit in scheme at 31 July	(32,223)	(34,680)

28 Pension Schemes continued

	2015 £000	2014 £000
Analysis of the movement in the present value of the scheme liabilities		
At 1 August	154,426	127,530
Current service cost	4,764	4,215
Interest cost	6,391	5,796
Contributions by scheme participants	1,726	1,634
Actuarial gains and losses	(545)	18,518
Benefits paid less individual transfers in	(3,661)	(3,282)
Past service cost	95	15
At 31 July	163,196	154,426

Analysis of movement in the market value of the scheme assets

At 1 August	119,746	122,124
Expected rate of return on scheme assets	8,293	8,609
Actuarial gains and losses	1,112	(13,006)
Contribution by the employer	3,757	3,667
Contributions by scheme participants	1,726	1,634
Benefits paid less individual transfers in	(3,661)	(3,282)
At 31 July	130,973	119,746

History of experience gains and losses – cumulative

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

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of scheme liabilities	(163,196)	(154,426)	(127,530)	(116,735)	(119,675)
Fair value of scheme assets	130,973	119,746	122,124	100,269	95,715
Deficit	(32,223)	(34,680)	(5,406)	(16,466)	(23,960)

Difference between expected and actual return on scheme assets

Amount (£000)	1,112	(13,006)	14,023	(4,468)	3,140
Percentage of scheme assets	0.8%	-10.9%	11.5%	-4.5%	3.3%

Experience gains and losses on scheme liabilities

Amount (£000)	557	(5,732)	(131)	–	1,424
Percentage of the present value of scheme liabilities	0.3%	-3.7%	-0.1%	–	1.2%

28 Pension Schemes continued

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £9,376,000 loss (2014: £11,033,000 loss).

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

The estimated employer's contribution to the scheme for the year ending 31 July 2016 is £3,341,000.

The actual return on scheme assets in the year was £9,405,000 (2014: £4,397,000 – deficit).

29 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 FRS 8 Related Party Disclosures.

The University paid £906 (2014: £2,608) to certain members of the Board of Governors as reimbursement of travel expenses. Governors did not receive any other payments.

The University has taken the exemption under FRS 8, relating to subsidiary undertakings where 100% or more of the voting rights are controlled within the group, not to disclose related party transactions.

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 in accordance with accounting policy Basis of Consolidation the results are not consolidated with the University.

TUSU received a block grant from the University of £714,000 (2014: £779,000) and other specific grants of £843,000 (2014: £555,000).

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