

ANNUAL REPORT
AND FINANCIAL
STATEMENTS

2015-16

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

It is a pleasure, as Chairman and Pro-Chancellor of the University, to report that over the last 12 months, our University has continued to refine its student-centred approach, putting students at the heart of everything we do, and working to deliver an outstanding and unrivalled student and learning experience.

The impact of the robust foundations put in place in 2015-16 is becoming apparent as our ambitious plans start to become a reality. Under the strong and effective management of a newly established executive team, led by Vice-Chancellor Professor Paul Croney, the University is working in ever-stronger partnership with employers and other stakeholder organisations to put Teesside on the map, both nationally and internationally.

The Board of Governors has continued to enhance the University's risk management and assurance arrangements, reflecting the significant degree of change facing the higher education sector. In this context, we have also continued to make a significant and distinctive contribution to the economic, cultural and social life of the communities we serve.

In addition to a refreshed executive team, I am delighted to welcome a number of new members to our Board. External to the University we welcomed Godfrey Worsdale, director, Henry Moore Foundation; Siobhan McArdle, chief executive and transformation director, South Tees Hospitals NHS

Trust; Dermot Russell, group chief financial officer, PD Ports; Ian Wardle, chief executive, Thirteen Group and Professor Phillip Jones, retired Vice-Chancellor, Sheffield Hallam University. From our internal staff base we have welcomed Helen Page, senior lecturer in forensic biology and Students' Union president Bruna Silva.

The success of our University is based on our excellent financial management and effective use of resources. The fundamental financial and operational health of the University is once again evidenced in this report.

I look forward to continuing to work with the Board and University Executive Team to steer the University through the next period of its development, guided by Teesside 2020, our University Corporate Strategy.



Alastair MacColl

Chairman and Pro-Chancellor



INTRODUCTION

from the Vice-Chancellor and Chief Executive

I am delighted to introduce our 2015-16 Annual Report and Financial Statements, reflecting on a year in which we have put in place strong foundations to deliver our Teesside 2020 Corporate Strategy as well as ensuring continued focus and significant investment on the student and learning experience.

The last 12 months has been a period of significant change for the University with important revisions to the University senior management team, School management teams, and our academic offer and brand. These all shape a new direction of travel as outlined in Teesside 2020, the University's Corporate Strategy. We are now firmly on the path to growing as a University, with an international reputation for academic excellence, enterprise and learning opportunities.

Over £270m of investment has been made on the campus, to date, ensuring we are delivering a high-quality student and learning experience informed by engagement with research, business and the professions.

Our continued investment in the student and learning 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 international university. This is evidenced by our achievement as one of the 10% of universities worldwide to appear in the *Times Higher Education* World University Rankings for 2016-17. This demonstrates we are fulfilling our mission in terms of teaching, research and knowledge transfer in a global context.

Our national reputation for quality is further demonstrated by achievements in the 2016 National Student Survey and *Sunday Times Good University Guide*. In the key areas of student satisfaction and student recommendations we have either equalled or exceeded the national average with 87% of students satisfied with their course and 88% of students recommending Teesside University to others (National Student Survey 2016). In addition, Teesside has been voted the country's top university for nursing (National Student Survey 2016) and ranked 23rd in the UK (number one in the North East) for teaching excellence (*Sunday Times Good University Guide* 2016).

Throughout 2016-17 we will continue in these endeavours with enthusiasm, drive and energy, determined to deliver excellence for our students and partners.



Professor Paul Crony
Vice-Chancellor and Chief Executive



THE UNIVERSITY

Introduction

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

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

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. In addition the University was awarded The Queen's Anniversary Prize 2014-2018 for world-class excellence in relation to its work with business and the enterprise agenda. More recently, Teesside was proud to announce the achievement of being one of only 10% of universities worldwide to appear in the *Times Higher Education* (THE) World University Rankings for 2016-2017.

Teesside University in Numbers

18,576

Total number of students (based on 2015-16 HESA student record).

2,351

Total number of staff in 2016.

86

This year we celebrated 86 years of teaching excellence – we were officially opened in 1930 as Constantine Technical College.

500+

Through our on-campus business support, our graduates have launched over 500 new businesses, creating 600 jobs.

£270m+

We have invested over £270m, from cash reserves, on our estate to create an excellent modern and innovative learning environment.

87%

87% of our students would recommend Teesside University to others (National Student Survey 2016).

£4.4m

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

100,000

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

1,261

Students studying in overseas partner institutions.

0.3%

Debt 0.3% of total income.

£12m

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

About the University

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

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

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



History

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

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

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

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

Recent highlights include:

- > Campus Heart – a landmark development linking north and south sides of the campus creating an iconic central focus
- > Orion and Stephenson – £5.7m investment to expand, upgrade and refurbish the science and engineering facilities in both the Orion and Stephenson buildings
- > The Gym – the Olympia building was extended with a new £2.75m health and fitness centre
- > The Library – we're investing £6m over the next two years to further upgrade and enhance our facilities. The Library is a key element of the student experience at Teesside and our investment will enable us to offer an on-campus space which is a focus for learning, research, academic collaboration and contemplation.

Accolades

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

Other indicators of recent progress include:

- > Shortlisted three times as the *Times Higher Education* Entrepreneurial University of the Year
- > Four National Teaching Fellowships
- > University of the Year for Student Retention & Support (*The Times Good University Guide 2016*)
- > In the world's top three for international student satisfaction (International Student Barometer 2008-15)*
- > Ranked 28th in the UK for teaching excellence and in the top ten for the most state-school educated students (*The Times Good University Guide 2016*)
- > Above national average for UK student satisfaction (National Student Survey 2016)
- > UK Higher Education Quality Assurance Agency approved (2016)
- > Our learning resources (including our library and IT provision) are in the English universities' top 30 with 90% satisfaction rating (National Student Survey 2016)
- > Investors in People Gold status at 'whole Institutional level' (2011-2016)
- > Award-winning Students' Union – one of the best in the UK (National Student Survey 2016)
- > Ranked as the top English university in the Stonewall list of the top 100 places for LGBT employees to work across Britain in 2016
- > The Curve received the Project of the Year title at the 2016 Royal Institution of Chartered Surveyors (RICS) North East Awards. The building also landed the Design Through Innovation and Regeneration Award.

*International Student Barometer Survey 2015, Autumn Wave – 159 institutions participated globally, 49 in the UK.

Teesside 2020

Corporate Strategy 2015-20



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

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

We have set out a programme of transformation over the next four 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 a changing world, and to be amongst the UK's top institutions of higher education in relation to providing:

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

University Strategic Aims and Outcomes

1

Student and Learning Experience

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

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.

STRATEGIC REVIEW

Learning and Teaching Experience

Teesside University's strategic aim is to become the preferred choice of university 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.

This will be delivered through the strategy to:

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

In the National Student Survey 2016 Teesside exceeded the overall benchmark for the satisfaction of its student community with overall satisfaction at the University at 87%.

The QAA review team visited the University in May to carry out a Higher Education Review, which tested the University's setting and maintaining of the academic standards of awards, the quality of its student learning opportunities, the quality of information about its learning opportunities and the enhancement of student learning opportunities. The team judged that the University meets UK expectations on all of these measures.



Employability

The Teesside graduate traits (adaptable; articulate; aspiring; critical; creative and confident) are already embedded in the learning and teaching strategy, 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 aim to provide a flourishing and dynamic research culture, and to continually build on our research strengths. Our objective is to make a real and valuable contribution to society.

We aim to secure our reputation for national and international excellence within targeted thematic areas of fundamental and applied research by:

- > continuing to increase our research output in internationally leading peer-reviewed journals and venues
- > significantly increasing the amount of research income flowing into the University
- > supporting the prevalence of research-informed teaching.



Our research

Research at Teesside is based within our academic Schools, which provide a supportive, broad-based and cross-disciplinary environment. We aim to nurture the highest quality research and to support our academics to work within cohesive communities.

We work with a wide range of external partners and stakeholders across industry and the public sectors, and collaborate with universities across the globe, including in the context of externally-funded collaborative projects from sources such as the Research Councils, Innovate UK and the European Union's Horizon 2020 research and innovation programme.

Successes in 2015-16 include the commencement of a three-year project, co-ordinated by the University with nine other partners and funded by the Horizon 2020 programme. The project, Demand Response in Blocks of Buildings, aims to pilot the tools and techniques required for energy demand response, which encourages consumers to change their energy use patterns and reduce their total energy consumption.

The University is also part of a major new project to explore how the creative, digital and IT (CDIT) sector in the North East can play a leading role in the region's economy. The Creative Fuse North East project will involve all five of the region's universities – Teesside, Newcastle, Northumbria, Durham and Sunderland – and is funded by the Arts and Humanities Research Council.

Teesside is playing a full part in two collaborative doctoral training initiatives. The Doctoral Training Alliance, organised by the University Alliance, has two current programmes (Biosciences for Health, and Energy) and the University will have six students on these programmes at the start of 2016-17, increasing to twelve students by 2018-19. The regional AHRC Heritage Consortium and the North of England Consortium for Arts and Humanities (NECAH), organised via the University of Hull, have seen a growing number of funded PhD students at the University, especially in history.

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



Research Excellence Framework

Preparations continue for the next Research Excellence Framework (REF), following the University's strong results in the 2014 exercise. We continue to monitor national developments, including most recently the publication of Lord Stern's independent review of the REF, and to support our Schools in their planning and preparations.

The emphasis is on building on the success of REF 2014, and successfully responding to the landscape of the next exercise as it emerges.

Teesside University highlights from REF 2014 include:



World leading or internationally excellent research was present in every School



100% of the submissions to Social Policy, History and Allied Health Professions were rated as having outstanding or very considerable impact



90% of the General Engineering submission was rated as having very considerable impact



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



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



68% of research entered in Allied Health Professions, Dentistry, Nursing and Pharmacy was 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

Our aim is 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.

This will be delivered through the enterprise and business engagement strategy to:

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

Digital City

A new structure and funding package was agreed for DigitalCity, the University's flagship initiative to grow digital businesses and embed digital technologies in key sectors. Now fully part of the University, DigitalCity is being led by a new director whose remit is to ensure that in driving digital innovation and growth in the Tees Valley, it also underpins strategic University objectives for research, teaching and the student experience.

Innovate Tees Valley


Innovate Tees Valley, a major £6m partnership project led by the University, began operation during the year, after winning a £3.8m ERDF grant. Providing integrated, intensive support to SMEs with innovation and growth potential, it will drive collaboration within the University and with external partners, embedding DigitalCity and Creative Fuse in the innovation agenda and strengthening links with NEPIC, MPI and other agencies.

National Horizons Centre

Work continued on the development of the University's National Horizons Centre, a centre of excellence for the bioscience industries to be built on Central Park, Darlington, as part of a cluster of strategic national bioscience initiatives. Co-located with the Darlington Campus, the centre will support the recruitment, training and development needs of the sector through specialist CPD, growth in full-time bioscience provision, and multidisciplinary R&D. Grant funding of £20.6m from ERDF and Local Growth Fund has been earmarked for 2017. This facility is due to open in 2018.

Fusion Hive

Support for innovation was significantly strengthened by the opening of Fusion Hive, a new business innovation centre on behalf of Stockton's Northshore operated by the University for Stockton Council. Providing accommodation for technology companies, Fusion Hive also hosts events and provides access to the University's innovation services. The centre and its incoming businesses featured heavily in local press. Occupancy by July 2016 stood at 48%, ahead of target for the first year.



Higher and Degree Apprenticeships

The University continued to develop its Higher and Degree Apprenticeship offer to employers, with 65 students beginning the first year of the Health Assistant Practitioner in the School of Health & Social Care, development and approval of the Chartered Manager Degree Apprenticeship by Teesside University Business School – the first of its kind in the region – and development work on degree apprenticeships in science, engineering, creative industries and computing. At least a further three awards will be launched in 2016-17.

Launchpad

Launchpad, an inspiring start-up ecosystem for students, graduates, entrepreneurs, SMEs and corporates, was established at the University's Victoria Road building, providing space for co-working, co-creation and networking and events, as well as skills development and specialist support from the University and partners. A total of 22 new student/graduate businesses were started in the year.



Knowledge Transfer Partnerships (KTPs)

Teesside achieved a record 15 KTPs with industry during the year, placing it second in the region behind Newcastle University for the number of live KTPs. The quality of the University's KTPs remained very high, with one KTP Associate, a Teesside graduate, winning the title of business leader of the future at the national KTP awards

20 SMEs took part in a successful national pilot in leadership and management delivered by the University. The programme, part of a suite of programmes that include leadership accelerator for aspiring managers and subject-specific masterclasses, also saw the development of a flourishing alumni network and was extremely well received and introduced companies to the University's wider business support. It's now continuing on a commercial basis.

Graduate Employability

Developing students and graduates for the world of work to ensure that they access high-quality graduate opportunities remains a significant priority. The University continued to enhance its activity in support of the development of student employability throughout 2015-16. We have continued to build a wide range of interventions to help students develop the requisite skills so they have every chance of securing a graduate career start. The Destination of Leavers in Higher Education Survey 2014-15 showed a 1.6% increase from the 2013-14 survey with 89.8% of our graduates in work or further study.

International Strategy

Teesside University's strategic aim is to become an international university with a global network of partnerships that attracts high-quality students and staff from across the world.



This will be delivered through the international strategy to:

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

In order to facilitate the above the operation of the International offices have been reviewed and an infrastructure has been put in place that better supports the strategy, with offices in Beijing to support China, Kuala Lumpur for SE Asia and Gurgaon to support India and its surrounding countries. Recruitment from other key areas such as the Middle East, North and Sub-Saharan Africa and the Americas will also be further developed. Our Agent network to support this activity has been reviewed and streamlined to ensure we are working with the most appropriate partners.

With regard to international recruitment, UK universities now operate in an extremely competitive global environment with increasingly strict regulations attached to the enrolment of overseas students. This creates significant challenges for Teesside along with all other universities in the UK.

International students at Teesside have voted us "Top 3 globally for satisfaction with their learning experience and number one in the world for personal tutors" according to the International Student Barometer in 2015.

Transnational education provision has been reviewed and streamlined to maintain some key partners and a development programme is now underway to identify and work strategically with a number of high quality institutions across all Schools. This will help diversify income, develop staff and student exchange and research partnerships and internationalisation of the curriculum.

Staff responsible for International activity is now in place within the Schools led by the recently appointed Pro Vice-Chancellor (International) and Director of International Development to ensure a joined up approach to deliver the International Strategy.



Resources and Business Management

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

2015-16 Resources and Business Management KPI Performance

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

KPI	Target	Actual	RAG Rating
Total student enrolments (FTE)	13,419	13,555	●
Total student enrolments off-campus included in total student enrolments (FTE)	1,715	2,033	●
Minimum annual surplus* as a % of total income	5%	5.4%	●
Minimum resources available for investment (EBITDA)/Total income (%)	8%	9.2%	●
Cash balance**	£40m	£46m	●
Pay***:Income ratio	60%	57.9%	●
Student:Staff ratio (No)	17.4	16.6	●
Services and facilities spend per student	£1,690	£2,153	●
Overall staff satisfaction	94%	94%	●
Maintain Investors in People	IIP	IIP	●

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

** Adjusted for loan set-off arrangement

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

The strategic aims of the Resources and Business Management Strategy are to:

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



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

The University approach to Resources and Business Management and underpinning Professional Services aims to be best in class, fully supporting the student experience and driving University management, change and commercial activities through a model of Service Excellence.

Teesside is one of only five UK universities to be accredited with Investors in People GOLD status in recognition of the engagement of our staff in delivering the University's vision, values and strategy, and our commitment to a culture of empowerment and professional development.

We are proud to have been ranked as the top English university in the Stonewall list of the top 100 places for LGBT employees to work across Britain in 2016, judged on the way each organisation treats its members of staff from the LGBT community.

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

Campus Developments

We've invested £270m 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 award-winning and state-of-the-art teaching building, providing a 120-seat collaborative lecture theatre and 1,476m² of flexible and innovative teaching and learning space.

Orion – 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 Library – we're investing £6m to further transform our Library offer delivering a bright, modern and fully technology-enabled learning environment to further enhance the student experience.

The Gym – our new £2.75m facility opened in January 2016, bringing together the University's sports and fitness facilities under one roof.

Central Halls – the University has added to its portfolio of student accommodation with the purchase and refurbishment of the former Teesside Central building on Borough Road. The building comprises 75 apartments spread over ten floors, offering four to eight bedrooms all with communal kitchens, seating and dining areas, en-suite bathrooms, free internet access and associated social spaces.



Financial Highlights and Chief Operating Officer Overview

2015-16 Financial Strategy Performance

During the year, Teesside University has achieved all of its financial KPIs and delivered year on year improvement on all key controllable financial metrics.

The University has also delivered against the objectives of its financial strategy.

> Financial stability and resilience

- maintaining strong net cash balances - £42m (2014-15: £51.4m)
- holding minimal borrowing - Long Term Liabilities of 0.3% of turnover (2014-15: 0.4%)
- Cash at 100+ day's expenditure at all times
- Levels of investment that are contingent upon student recruitment performance

> Financial sustainability

- Targeted growth in student numbers achieved
- returning a strong cash surplus position returning EBITDA of 9.2% during the year (2014-15: 7.7%)
- delivering investment in growth and continuing to enhance the student experience
- delivering significant cost efficiencies across the University during the year

> Investment capability

- Significant investment to support Teesside 2020 strategic priorities across key strategies
 - Learning and Teaching
 - Enterprise and Business Engagement
 - Research
 - International
 - Resources and Business Management
- Continued campus Investment
- Continued academic growth investment
- Enhanced infrastructure and student experience and digital investment

A major feature of the year was a significant programme of investment across the University to further enhance and support the student experience, putting some of the cash balances to work across the University to stimulate and support future growth. This programme included £22.8m of capital investment during the year, as well as targeted investment to support student recruitment, curriculum development, international growth and research. This was complemented by the continued identification and delivery of efficiencies across both the pay and non-pay cost base.

In support of the Teesside 2020 Corporate Strategy, a new Estates Strategy and a new Campus Masterplan is currently in development which will determine the major projects the University will develop and implement over the medium to long term as well as associated prioritisation, timelines and financing.

The financial year also saw the production of the new Resources and Business Management Strategy of the University which underpins the Professional Services which keeps the University safe and sustainable, secures investment and growth and supports academic excellence and the student and graduate experience. The University approach to Resources and Business Management and the underpinning professional services aims to be best in class, fully supporting the student experience and driving University management change and commercial activities through a model of service excellence.

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



2015-16 Financial Performance Against 2014-15

The financial results have seen year on year improvement over 2014-15 on all key controllable financial metrics.

The University's financial performance for 2015/16 can be summarised as follows:

- > Total income of £130.1m (2014-15: £121.7m)
- > Surplus after tax of £3.9m (2014-15: £2.6m)
- > Cash generated from operating activities £13.2m (2014-15: £7.8m)
- > Investment in capital expenditure £22.8m (2014-15: £31.4m)
- > Net assets of £100.6m (2014-15: £123.7m)

Adoption of FRS 102 for 2014-15 for pensions has resulted in additional I&E charges due to the change in methodology required to be used for the LGPS actuarial calculations. FRS 102 (and FRS 17) requires the calculation of the liabilities to be based on an assumption for the discount rate equal to the yield on high quality corporate bonds which is generally interpreted as AA rated corporate bonds. The reduction in UK AA rated corporate bond yields following the Brexit vote has caused the reported liabilities to increase significantly. The table below is a summary of the key financial statistics excluding measurement adjustments for defined benefit pension schemes and holiday pay.

Five Year Summary of Income and Expenditure

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

	2015-16	2014-15 Restated	2013-14*	2012-13*	2011-12*
	£'000	£'000	£'000	£'000	£'000
Tuition Fees and Educational Contracts	95,792	87,334	78,769	68,220	62,910
Funding Council Grants	13,983	16,668	20,951	39,799	53,707
Research Grants and Contracts	3,003	2,283	3,022	3,067	2,862
Other Income	16,950	14,971	13,802	12,506	12,154
Endowment and Investment Income	377	465	3,385	1,572	728
TOTAL INCOME	130,105	121,721	119,929	125,164	132,361
Less: measurement adjustments	-	-	(2,813)	(797)	-
TOTAL INCOME EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS	130,105	121,721	117,116	124,367	132,361
TOTAL EXPENDITURE	(126,174)	(119,088)	(114,576)	(114,953)	(121,001)
Add: measurement adjustments	3,098	2,791	1,192	642	1,871
TOTAL EXPENDITURE EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS	(123,076)	(116,297)	(113,384)	(114,311)	(119,130)
SURPLUS BEFORE OTHER GAINS AND TAX EXCLUDING IMPACT OF MEASUREMENT ADJUSTMENTS	7,029	5,424	3,732	10,056	13,231
Net Margin	5.4%	4.5%	3.2%	8.1%	10.0%

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

The University incurred restructuring costs of £2.9m (2014-15: £1.8m) following a strategic review of School Senior Management structures and some professional service areas. The new School Senior Management structures will inject significant additional strategic capacity into the Schools and an additional 25 Graduate tutors has also been funded from the academic voluntary severance scheme in the year. This is part of an ongoing wider review of University activities and programmes to ensure that the University remains financially sustainable.

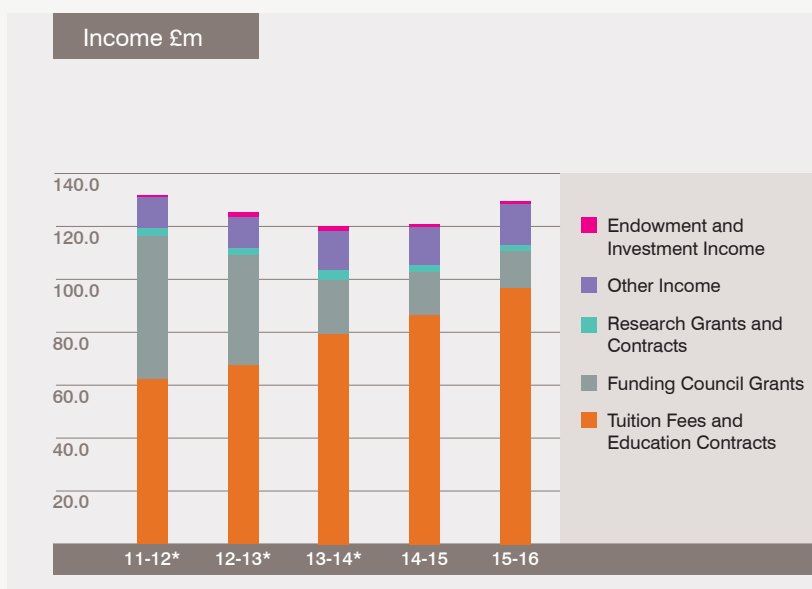
In a challenging funding and competitive environment the University is focused on achieving resilience, sustainability and effectiveness as it plans for continued investment in the student experience, the campus, infrastructure and equipment. This will be achieved through a continued focus on diversifying 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 £130.1m representing an increase of 6.9% over the previous year (2014-15: £121.7m). The main movements are:

- > Funding Council Grants decreased by £2.7m 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 £8.5m. This was predominantly down to fee income from full-time home and EU students increasing by £9.0m and a £0.5m reduction in International Income.

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 73.6% (2014-15: 71.7%) of total income and is illustrated in the chart.



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

Expenditure

Total expenditure was £126.2m, an increase of £7.1m in the year (2014-15: £119.1m). The main movement year on year is:

- > Staff costs were £80.3m (2014-15: £76.5m), an increase of £3.8m or 5.0%, of which £2.9m (3.6%) related to restructuring costs. Excluding FRS102 costs and restructuring costs this represents 57.9% of total income.

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

Surplus

The operating surplus of £3.9m is an increase of £1.2m (2014-15: £2.6m). Excluding the impact of FRS102 and FRS17 the University achieved a controllable surplus of £7m. It is important for the University to generate a surplus in order to achieve the Teesside 2020 Corporate Strategy. The controllable net margin of 5.4% represents strong financial performance for the year.

Balance Sheet

The net assets of the group decreased this year by £23.1m to £100.6m. The main areas of change were:

- > increase in fixed assets of £16.6m
- > reduction in cash and cash held on term deposits of £9.4m
- > increase in the pension liability of £29.5m

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, an award-winning and flagship iconic building which provides state of the art teaching facilities. This was completed in September 2015 and received the Project of the Year title at the 2016 Royal Institution of Chartered Surveyors (RICS) North East Awards.
 - > A Campus Heart providing a very high quality focus for the campus consisting of both hard and soft landscaping.
 - > An extension to the Orion building to provide enhanced STEM facilities, including a flight simulator, distillation columns and SCADA control equipment.
 - > The Gym - our new sports and exercise facility.
 - > The 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 performance was very strong with £13.2m (2014-15: £7.8m) generated from operating activities. There was an increase of £11.5m in short term deposits and a reduction of £20.9m in cash balances which was used to fund the capital programme.

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

	2015-16	2014-15 Restated	2013-14	2012-13	2011-12
	£'000	£'000	£'000	£'000	£'000
Tuition Fees and Educational Contracts	95,792	87,334	78,769	68,220	62,910
Funding Council Grants	13,983	16,668	20,951	39,799	53,707
Research Grants and Contracts	3,003	2,283	3,022	3,067	2,862
Other Operating Income	16,950	14,971	13,802	12,506	12,154
Interest Receivable	377	465	3,385	1,572	728
TOTAL INCOME	130,105	121,721	119,929	125,164	132,361
TOTAL EXPENDITURE	(126,174)	(119,088)	(114,576)	(114,953)	(121,001)
SURPLUS BEFORE OTHER GAINS AND LOSSES	3,931	2,633	5,353	10,211	11,360
NET CASH INFLOW FROM OPERATING ACTIVITIES	13,235	7,835	5,619	12,406	13,458
(DECREASE)/INCREASE IN CASH AND BANK DEPOSITS IN THE YEAR	(9,412)	(20,786)	2,439	6,546	10,864
Fixed Assets	156,112	139,456	105,739	105,400	108,254
Endowments	216	207	236	228	209
Net Current Assets	26,437	36,522	60,951	59,273	55,888
Creditors due after more than one year	(15,147)	(15,030)	(483)	(583)	(8,921)
Provisions	(5,301)	(4,973)	(5,188)	(5,328)	(5,559)
NET ASSETS BEFORE PENSION LIABILITY	162,317	156,182	161,255	158,990	149,871
PENSION LIABILITY	(61,735)	(32,522)	(34,680)	(5,406)	(16,466)
NET ASSETS AFTER PENSION LIABILITY	100,582	123,660	126,575	153,584	133,405

Risk Management and Principal Risks

The University continues to maintain strong governance for Risk Management.

The University continues to maintain strong governance for Risk Management. Risk is managed through the Risk Management Framework, which is reviewed annually, and which articulates the arrangements and activities that are in place to ensure that the University's Strategic and Operational risks are identified, mitigated and, where judged appropriate, tolerated. The Strategic Risk Register is agreed by the University Executive Team and the Board of Governors, supported by the Audit Committee. The register is regularly updated and includes mitigating actions to reduce the impact and likelihood of all of its key risks. The updated register is reported to each meeting of the Audit Committee and to the Board at least four times per annum.

As part of the well-established and embedded process of risk management throughout the University each School and Department prepares an individual Operational Risk Register within its Annual Plans. These are reviewed and updated on a quarterly basis. Major risks included in these operating risk registers are considered by the University Executive Team for escalation to the Strategic Risk Register. Risk management within the University continues to seek maximum benefit through combining a top-down and bottom up approach to risk assessment.

The key risks facing the University are considered to be:

Student Recruitment

Maintaining student numbers is critical for long-term sustainability in an increasingly competitive environment. Deregulation of the market and increased competition across all market segments is compounded further by the importance attached to external benchmarks – such as the National Student Survey (NSS), league tables and the Destinations of Leavers from Higher Education survey (DLHE) – by students and influencers. An early assessment of the recruitment for 2016-17 indicates that the University has again achieved significant year-on-year growth. The introduction of tuition fee loans for postgraduate students has had a positive impact on 2016-17 postgraduate numbers.

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

NHS Income Streams

In 2015-16 the University received over £20m from the NHS to deliver a wide range of health programmes commissioned by the Local Health Education North East Board. Each year, the University is advised by Health Education North East (HENE) on the number of students it intends to commission for the forthcoming academic year. The commissioned numbers are based on previous years' performance in relation to quality metrics determined by the commissioners such as attrition, degree classifications, NSS outcomes and stakeholder's feedback.

Based on the Schools' consistently high performance across all of the metrics in relation to recruitment, retention and attainment, the University has an excellent relationship with the local NHS commissioning body. However, changes in the HEE commissioning policy may impact on the funding available for training. Furthermore, from 2017 undergraduates will no longer be eligible for bursaries or paid fees on NHS courses and this may impact on recruitment.

In order to mitigate the impact of possible changes in NHS funding and to protect this income stream the University has put a number of controls in place including:

- > ensuring recruitment to the target as specified by HENE
- > monitoring and reporting on attrition
- > delivering high-quality education leading to graduates being fit for practice
- > reporting on and responding to the many quality metrics to ensure HENE's dashboard is fully populated
- > enhancing strategic engagement with Commissioning Bodies.

Reputational Impact

As the HE sector becomes more competitive the maintenance and enhancement of reputation becomes increasingly important. The impact of league tables and the NSS results is expected to become more influential, becoming an indicator of quality and they are expected to be one of the external metrics that will be used by the Teaching Excellence Framework. The University's latest NSS (2016) score of 87% was above the national average.

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

Brexit

Following the UK's vote to leave the EU and the resultant political and economic uncertainty surrounding the impact on student and staff mobility, research funding and other European funding, this risk was added to the University's Strategic Risk Register. Competitor pressure may also increase for the recruitment of home students as EU students may look elsewhere due to uncertainties over UK immigration policy.

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

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

Public Benefit Statement

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

The Trustees of the University are the members of its Board of Governors, as listed on page 34, and include the Vice-Chancellor and staff and student members. They have oversight of the management of the University and ensure that in achieving its charitable objects the University establishes strategic aims and objectives and undertakes such aims and objectives in ways which are consistent with the Charity Commission's guidance on the general principles of public benefit. In determining the University's objectives and activities and in exercising their powers and duties, the Board of Governors has had due regard to the Charity Commission's latest guidance on the reporting of public benefit. These principles state that there must be an identifiable benefit and that the benefit must be to the public or to a sufficient section of the public and not give rise to incidental personal benefit.

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

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

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

Enhancing the Student Experience

Through the Learning & Teaching Strategy 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.

Students are also encouraged to contribute to the local community through the University's Volun-tees project which aims to support students, recent graduates and staff to engage in volunteering activities. During 2015-16 530 volunteers participated in over 15,000 hours of volunteering.

The University's philanthropic and alumni engagement activities raise funds from alumni and friends to help enhance the student experience. During the year the Development & Alumni Relations Strategy was launched and will provide focus for further fundraising in this area. In 2015-16 over £275,000 was raised from philanthropic contributions, grant giving trusts and foundations. Donations were given to over 80 projects including scholarships, graduation prizes and employability programmes. The Student Experience Fund was launched during the year with the aim of supporting students in accessing opportunities that would contribute towards an outstanding student experience. In order to secure funding students are required to demonstrate that they meet the Fund's criteria.

Improving Access and Widening Participation

The University remains committed to building upon its excellent work in access and retention and student success. This is demonstrated in its OFFA (Office for Fair Access) Agreement which gives a commitment to ensuring that the University attracts students from under-represented groups. As evidenced by our outstanding track record on access with 98.8% of new full-time entrants coming from state schools and 26.2% from low participation neighbourhoods. The University has consistently performed better than its benchmarks and is nationally recognised as a sector leader in raising aspirations.

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

During 2015-16 the University provided bursaries and scholarships of over £4 million including a cash payment of £500 to each first year student within the first 6 weeks of term. Almost £1.6m was committed to student success activities and over £1.3m to student progression initiatives.

Community Engagement

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

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

Through Middlesbrough Institute of Modern Art (mima) the University supports a wide programme of exhibitions, public and social projects, schools' engagement, consultancy, events, festivals and concerts that enhance the cultural life of Teesside, contribute to regeneration and a civic agenda to support health and wellbeing in the community. The museum and its growing collections provide a free public, cultural space for all, to enrich the lives and diversity of the region.

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.

Our Culture on Campus programme brings concerts, plays, public lectures and exhibitions to our campuses in Middlesbrough and Darlington bringing together our University community of students, staff and alumni, and reaching out to University friends and local residents.

Ethics

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

With regards to charitable donations the University has established the Development and Philanthropy Working Group to oversee the acceptance and disbursement of philanthropic income. All donations from individuals are solicited or commissioned by persons known to the University who are monitored and evaluated in accordance with the University's policies and agreements on due diligence and ethical fundraising. Fundraising from trusts and foundations is conducted according to the guidelines and protocol of each trust or foundation. No solicitation is made unless invited by a prospective or current donor. The University has not received any complaints regarding its fundraising activity.

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

Research impact

We aim to provide a flourishing and dynamic research culture, and to continually build on our research strengths in selected disciplines and cross-disciplinary themes which inform our learning and teaching, collaboration with partners and knowledge exchange.

Examples of research activity in 2015-16 include:

- > The collaborative £3m Creative Fuse North East project funded by the Arts and Humanities Research Council (AHRC) to deliver an open innovation programme focussed on the region's creative, digital and IT (CDIT) sector.
- > We are one of fourteen universities that have been brought together to collaborate on designing and delivering the University Alliance Doctoral Training Alliance (DTA), a new kind of postgraduate doctoral training programme which responds to industry needs. The first DTA in Applied Biosciences for Health commenced this year.
- > We became an affiliate Centre of the Joanna Briggs Institute (JBI), a worldwide collaboration based at the University of Adelaide which supports the synthesis and application of health research into practice.
- > We continue to explore representations of disability in the field of visual art and collaborated with Cork City Council, The Arts Council and Arts & Disability Ireland on Cork Ignite, the centre piece of Cork Culture Night 2015.
- > A new project was awarded by the AHRC and the Economic and Social Research Council (ESRC) as part of the Research Councils UK Partnership for Conflict, Crime and Security (PaCCS). This will investigate the financial aspects of the trade in counterfeit products.
- > Systematic reviews looking at the impact of fiscal and marketing strategies on consumer behaviours related to high sugar food and drink, were used to inform the Public Health England sugar reduction strategy and underpinned the most recent government announcement for a UK sugar tax.
- > The Horizon 2020 GateOne project is providing an innovation service for European Smartization (the use of smart technologies) by SMEs. Access is given free of charge to a portfolio of innovative product concepts and demonstrators.

The University plans to build upon its research base and seeks to achieve an increase in the volume and quality of world leading and internationally excellent research in selected areas of strength, working with partners to develop applied research with strong impact potential.

Board of Governors

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

Independent Members

Dr Jane Atkinson

Mr Robin Bloom

Mr Paul Booth OBE

Mr Bob Cuffe

Mr Chris Fleetwood (Treasurer)

Professor Tricia Hart (retired 20 November 2015)

Mr David Heaton OBE (retired 15 July 2016)

Mr John Irwin

Ms Shahda Khan MBE

Ms Sue Kiddle

Mr Edward Kunonga

Mr Alastair MacColl (Chairman and Pro-Chancellor)

Ms Amanda Skelton

Mr Steve Tonks

Mr Alastair Waite

Vice-Chancellor and Chief Executive

Professor Paul Croney

Staff and Student Representatives

Mr David Eagle (retired 16 September 2016)

Mr Adam Howe (appointed 20 November 2015)

Ms Jill Morgan

Ms Ashley Mehnert (resigned 3 July 2016)

Ms Helen Page (appointed 16 September 2016)

Ms Bruna Silva (appointed 4 July 2016)

Mrs Beverly Simpson

Co-opted Members

Mr John Hogg

Professor Philip Jones (appointed 15 July 2016)

Ms Siobhan McArdle (appointed 18 March 2016)

Mr Dermot Russell (appointed 15 July 2016)

Mr Ian Wardle (appointed 15 July 2016)

Mr Godfrey Worsdale (appointed 15 July 2016)

Secretary to the Board of Governors

Mr Malcolm Page (appointed 1 September 2016)

Mr Simon Walker (appointed 1 March 2016 and resigned 31 August 2016)

Mr Mark White (retired 28 February 2016)

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

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 2014. 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 18 lay persons appointed under the University's Instrument and Articles of Government, five representatives of staff and students, and the University's Chief Executive, the Vice-Chancellor. The role of Chair of the Board of Governors is separated from the role of the University's Chief Executive, the Vice-Chancellor. 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.

Following a review of the Committee structure by the Board Commissioner (who is also a Governor) it was agreed to rename the Employment Policy Committee to the People and Organisational Development Committee and the Nomination Committee to the Nomination and Governance Committee to reflect their wider remits. Revised membership of these Committees was also agreed. During 2015/16 the Board appointed 4 new external governors to fill vacancies arising and to strengthen its skills-base. It also welcomed newly-elected staff and student governors to the Board.

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

The Audit Committee meets at least three times a year. The Committee provides assurances to the Board on the adequacy of the University's risk management, value for money and data quality and assurance arrangements. It is responsible for meeting with the external auditors to discuss audit findings, and with the internal auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. The 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 the Committee meets with the external auditors and the internal auditors on their own for independent discussions at the end of every Audit Committee meeting. Annually, the Committee provides an opinion on the adequacy of the arrangements in place within its oversight which informs the Statement of Internal Control.

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

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

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

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

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

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 2016 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 University Executive Team oversees risk management across the University
- the University has a formal and structured Risk Management Policy to ensure that key risks are identified and managed consistently across the University
- the Risk Management Policy is reviewed on a regular basis*
- a strategic risk register is in place and is reviewed at least annually*
- the strategic risk register is supported by risk management statements in the development plans of each School and department, covering both corporate and operational risks
- responsibility for monitoring each key risk has been assigned to senior officers of the University with the Chief Operating Officer and the Director of Finance & Commercial Development having day-to-day responsibility for risk management within the University
- the Audit Committee receives regular reports from the Internal Auditors, which include an independent opinion on the adequacy and effectiveness of the University's risk management, governance, internal control and arrangements to provide value for money, together with recommendations from the internal auditors for improvement; 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.

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

Responsibilities of the Board of Governors

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 2014. 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.

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).

Statement of Primary Responsibilities

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

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

- 1.9 To appoint a Secretary to the Board of Governors and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.

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

- 1.11 To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.

- 1.12 To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the University's name.

- 1.13 To receive assurance that adequate provision as has been made for the general welfare of students.

- 1.14 To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.

- 1.15 To ensure that the University's Instruments and Articles are followed at all times and that appropriate advice is available to enable this to happen.

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.

5 Financial Statements

5.1 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.

5.2 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.

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

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



Alastair MacColl
Chairman and Pro-Chancellor



Professor Paul Croney
Vice-Chancellor and Chief Executive

Independent Auditor's Report to the Board of Governors

We have audited the financial statements of Teesside University for the year ended 31 July 2016 set out on pages 40 to 74. 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Board of Governors in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988.

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

Notes:

(a) The maintenance and integrity of the Teesside University website is the responsibility of the governing body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Respective Responsibilities of the Board of Governors and Auditor

As explained more fully in the Responsibilities of the Board of Governors' Statement set out on pages 37 and 38, 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 Group's and 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

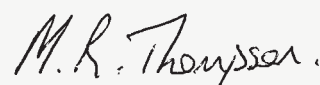
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements*.

Opinion on Other Matters prescribed in the HEFCE Audit Code of Practice (effective 1 August 2014) issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2015-16 financial statements* have been met.



Mick Thompson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

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

18th November 2016

Statement of Accounting Policies

Basis of Preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (2015 FE HE SORP) and in accordance with Financial Reporting Standards (FRS102).

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

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

Basis of Consolidation

The consolidated Financial Statements include the University, all its subsidiaries and the Friends of the University of Teesside Trust for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

Income Recognition

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

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

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

Grant Funding

Government revenue grants including funding council block grant and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate.

Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

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

Donations and Endowments

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

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

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

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

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

Capital grants

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

Taxation

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

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

Taxation is payable on the Research and Development Expenditure Credits (RDEC) under measures enacted through the Finance Act 2013.

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

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

Employment Benefits

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

Finance Leases

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

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

Operating Leases

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

Foreign Currency

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

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

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

Fixed Assets

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

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

Land and buildings

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

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

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

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

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

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

Equipment

All equipment, including computers, is capitalised. System investment software packages are capitalised.

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

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

Heritage Assets

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

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

Investment Properties

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

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

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

Investments

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

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

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

Stock

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

Borrowing Costs

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

Cash and Cash Equivalents

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

Intra-group Transactions

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

Accounting for Retirement Benefits

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

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

Defined Benefit Retirement Plan

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

Provisions

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

Reserves

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

Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 25.

Application of first time adoption grants certain exemption from the full requirements of the 2015 FE HE SORP in the transition period. The following exemptions have been taken into these financial statements:

Fair value or revaluation as deemed cost – at 31 July 2014, fair value has been used for deemed cost for land measured at fair value.

Consolidated and University Statement of Comprehensive Income and Expenditure

Year Ended 31 July 2016

		Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
	Notes				
Income					
Tuition fees and education contracts	1	95,792	95,376	87,334	86,592
Funding Council grants	2	13,983	13,983	16,668	16,668
Research grants and contracts	3	3,003	2,998	2,283	2,283
Other income	4	16,950	17,323	14,971	15,706
Endowment and investment income	5	377	366	465	454
Total income		130,105	130,046	121,721	121,703
Expenditure					
Staff costs	6	80,260	80,197	76,521	76,469
Other operating expenses		38,516	38,550	36,163	36,148
Depreciation	10	6,118	6,118	5,020	5,020
Interest and other finance costs	7	1,280	1,280	1,384	1,384
Total Expenditure	8	126,174	126,145	119,088	119,021
Surplus before other gains		3,931	3,901	2,633	2,682
Gain on investments		7	7	11	11
Surplus before tax		3,938	3,908	2,644	2,693
Taxation	9	(47)	(47)	–	–
Surplus for the year after tax		3,891	3,861	2,644	2,693
Actuarial (loss)/gain in respect of pension schemes	24	(26,969)	(26,969)	5,105	5,105
Total comprehensive (expenditure)/income for the year		(23,078)	(23,108)	7,749	7,798
Represented by					
Endowment comprehensive income for the year		6	6	13	13
Unrestricted comprehensive (expenditure)/income for the year		(23,084)	(23,114)	7,736	7,785
		(23,078)	(23,108)	7,749	7,798

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of Changes in Reserves

Year Ended 31 July 2016

Consolidated

	Income and expenditure account		Revaluation reserve	Total
	Endowment £000	Unrestricted £000	£000	£000
Balance at 1 August 2014	236	93,045	22,630	115,911
Surplus from the income and expenditure statement	13	2,631	–	2,644
Other comprehensive income	–	5,105	–	5,105
Transfers between revaluation and income and expenditure reserve	–	631	(631)	–
Total comprehensive income/ (expenditure) for the year	13	8,367	(631)	7,749
Balance at 1 August 2015	249	101,412	21,999	123,660
Surplus from the income and expenditure statement	6	3,885	–	3,891
Other comprehensive expenditure	–	(26,969)	–	(26,969)
Transfers between revaluation and income and expenditure reserve	–	631	(631)	–
Total comprehensive income/ (expenditure) for the year	6	(22,453)	(631)	(23,078)
Balance at 31 July 2016	255	78,959	21,368	100,582

Consolidated and University Statement of Changes in Reserves (continued)

Year Ended 31 July 2016

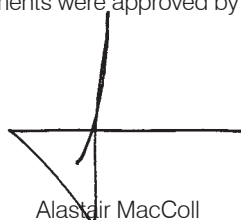
University

	Income and expenditure reserve		Revaluation reserve	Total
	Endowment £000	Unrestricted £000	£000	£000
Balance at 1 August 2014	236	92,449	22,630	115,315
Surplus from the income and expenditure statement	13	2,680	–	2,693
Other comprehensive income	–	5,105	–	5,105
Transfers between revaluation and income and expenditure reserve	–	631	(631)	–
Total comprehensive income/ (expenditure) for the year	13	8,416	(631)	7,798
Balance at 1 August 2015	249	100,865	21,999	123,113
Surplus from the income and expenditure statement	6	3,855	–	3,861
Other comprehensive expenditure	–	(26,969)	–	(26,969)
Transfers between revaluation and income and expenditure reserve	–	631	(631)	–
Total comprehensive income/ (expenditure) for the year	6	(22,483)	(631)	(23,108)
Balance at 31 July 2016	255	78,382	21,368	100,005

Consolidated and University Balance Sheet

		As at 31 July 2016		As at 31 July 2015	
	Notes	Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Fixed assets	10	153,879	154,122	137,240	137,484
Heritage assets	11	83	83	66	66
Investment property	12	2,150	2,150	2,150	2,150
Non-current investments	13	216	261	207	236
		156,328	156,616	139,663	139,936
Current assets					
Stock		84	84	80	80
Trade and other receivables	14	9,958	10,983	12,262	13,399
Current investments	15	38,000	38,000	26,500	26,500
Cash and cash equivalents	21	4,019	3,022	24,931	23,973
		52,061	52,089	63,773	63,952
Less: Creditors – amounts falling due within one year	16	(25,624)	(26,517)	(27,251)	(28,250)
Net current assets		26,437	25,572	36,522	35,702
Total assets less current liabilities		182,765	182,188	176,185	175,638
Creditors – amounts falling due after more than one year	17	(15,147)	(15,147)	(15,030)	(15,030)
Provisions for liabilities	19	(67,036)	(67,036)	(37,495)	(37,495)
Total net assets		100,582	100,005	123,660	123,113
Restricted reserves					
Income and expenditure reserve – endowment reserves	20	255	255	249	249
Unrestricted reserves					
Income and expenditure reserve – unrestricted		78,959	78,382	101,412	100,865
Revaluation reserve		21,368	21,368	21,999	21,999
Total reserves		100,582	100,005	123,660	123,113

The financial statements were approved by the Board of Governors on 18th November 2016 and were signed on its behalf on that date by:



Alastair MacColl
Chairman and Pro-Chancellor



Professor Paul Croney
Vice-Chancellor and Chief Executive

Statement of Consolidated and University Cash Flows

Year Ended 31 July 2016

		Year ended 31 July 2016		Year ended 31 July 2015	
	Notes	Consolidated £000	University £000	Consolidated £000	University £000
Cash flow from operating activities					
Surplus for the year		3,891	3,861	2,644	2,693
Adjustment for non-cash items					
Depreciation	10	6,118	6,118	5,020	5,020
Gain on investments		(7)	(7)	(11)	(11)
Increase in stock		(4)	(4)	(39)	(39)
Decrease/(increase) in debtors		2,310	2,422	(1,642)	(881)
(Decrease)/increase in creditors		(170)	(276)	788	628
Increase/(decrease) in pension provision		559	559	(19)	(19)
Excess of pension costs over contributions paid		2,013	2,013	2,648	2,648
Adjustment for investing or financing activities					
Investment income	5	(373)	(362)	(461)	(450)
Interest payable	7	37	37	36	36
Endowment income	5	(4)	(4)	(4)	(4)
Capital grant income		(1,135)	(1,135)	(1,125)	(1,125)
Net cash inflow from operating activities		13,235	13,222	7,835	8,496
Cash flows from investing activities					
Proceeds from the sale of fixed assets		–	–	18	18
Capital grant receipts		1,425	1,425	617	617
Disposal of non-current asset investments		13	13	8	8
(Increase)/withdrawal of deposits		(11,500)	(11,500)	7,000	7,000
Investment income		367	356	503	492
Payments made to acquire fixed assets		(24,303)	(24,302)	(29,693)	(29,693)
New non-current asset investments		(15)	(31)	(25)	(25)
		(34,013)	(34,039)	(21,572)	(21,583)
Cash flows from financing activities					
Interest paid		(38)	(38)	(40)	(40)
Endowment cash received		4	4	4	4
Repayments of amounts borrowed		(100)	(100)	(100)	(100)
		(134)	(134)	(136)	(136)
Decrease in cash and cash equivalents in the year	21	(20,912)	(20,951)	(13,873)	(13,223)
Cash and cash equivalents at beginning of the year		24,931	23,973	38,804	37,196
Cash and cash equivalents at end of the year		4,019	3,022	24,931	23,973

Notes to the Financial Statements

1 Tuition Fees and Education Contracts

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	56,948	56,948	47,934	47,934
International students	8,352	8,352	8,816	8,816
Part-time students	10,189	10,189	9,938	9,938
Education contracts	20,303	19,887	20,646	19,904
	95,792	95,376	87,334	86,592

2 Funding Council Grants

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Recurrent grant received from HEFCE	11,742	11,742	13,596	13,596
Specific grants				
Higher Education Innovation Fund	986	986	1,280	1,280
Teaching Capital Investment Fund	—	—	823	823
Postgraduate Support Scheme	350	350	—	—
Capital Grants	630	630	691	691
Other	275	275	278	278
	13,983	13,983	16,668	16,668

3 Research Grants and Contracts

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Research Councils	338	338	239	239
UK-based charities	246	246	205	205
UK central government	1,238	1,233	783	783
UK Health Service	312	312	187	187
European Commission	521	521	654	654
Other grants and contracts	348	348	215	215
	3,003	2,998	2,283	2,283

The University acts as the lead partner on a number of research grants and contracts. The gross income value of these contracts was £5,082k (2015 - £2,283k). In accordance with FRS 102 the University has only recognised income and costs to the extent that the University acts as principal in the contracts. Total research grants and contracts income (including that receivable from the Funding Council in Note 2 above) amounted to £4,372k (2015 - £3,258k).

4 Other Income

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Residences, catering and conferences	4,894	4,894	4,619	4,619
Other revenue grants	4,929	4,929	4,878	4,878
Other capital grants	505	505	434	434
Other income	6,622	6,995	5,040	5,775
	16,950	17,323	14,971	15,706

5 Endowment and Investment Income

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Investment income on endowments	4	4	4	4
Other investment income	373	362	461	450
	377	366	465	454

6 Staff

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Staff costs				
Salaries	61,262	61,207	60,306	60,260
Social security costs	5,344	5,336	4,863	4,857
Movement on USS Provision	226	226	193	193
Movement on enhanced pensions provision	572	572	176	176
Other pension costs (note 24)	9,943	9,943	9,162	9,162
Restructuring costs	2,913	2,913	1,821	1,821
	80,260	80,197	76,521	76,469

Emoluments of the Vice-Chancellor

	Year ended 31 July 2016	Year ended 31 July 2015
	£	£
Salary	210,000	52,500
Car allowance	9,000	2,250
Non-consolidated bonus	32,850	–
Benefit in kind	3,773	611
	255,623	55,361
Pension costs	34,192	7,402
	289,815	62,763

The Vice-Chancellor's emoluments for 2015 represent the three month period from 1 May 2015 only. The non-consolidated bonus is for the 15 month period from 1 May 2015 to 31 July 2016. The University's pension contributions to the Teachers' Pension Scheme on behalf of the Vice-Chancellor are paid at the same rates as for other academic staff.

Emoluments of the previous Vice-Chancellor

	Year ended 31 July 2016	Year ended 31 July 2015
	£	£
Salary	–	186,331
Pension compensation (paid as salary)	–	22,858
Non-consolidated bonus	–	20,000
Benefits in kind	–	13,496
	–	242,685

The emoluments of the previous Vice-Chancellor are for the ten months from 1 August 2014 to 31 May 2015.

Compensation for loss of office of £86,249 (2015 - £420,734 (four employees)) was paid to one employee earning in excess of £100,000.

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

	Year ended 31 July 2016	Year ended 31 July 2015
	number	number
£100,000 - £109,999	2	3
£110,000 - £119,999	2	–
£130,000 - £139,999	–	1
£140,000 - £149,999	–	1
£150,000 - £159,999	–	1
£180,000 - £189,999	1	–

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

Academic and research	744	715
Administrative and technical	786	798
Other	135	137
	1,665	1,650

Key management personnel

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

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Key management personnel compensation	1,444	1,818

Board Members

The University Board members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Board, being largely drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. Members of the Board are required to declare any outside interests. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures. The following principal related party transactions with the Group were identified for disclosure under annex E of the Memorandum of Assurance and Accountability with HEFCE.

Description	2016 Debtor £000	2016 Creditor £000	2015 Debtor £000	2015 Creditor £000
Bulkhaul Ltd	1	–	–	–
Middlesbrough Council	12	(1)	3	(30)
Middlesbrough College	14	–	17	–
Redcar and Cleveland Borough Council	10	–	15	–
Redcar and Cleveland College	–	–	3	–
South Tees Hospital NHS Foundation Trust	1	(1)	13	(47)
Teesside University Students' Union	–	(9)	4	(21)

	2016 Income £000	2016 Expenditure £000	2015 Income £000	2015 Expenditure £000
Academic Health Science Network (North East and Cumbria)	2	–	67	–
Altec Engineering Ltd	–	–	–	(1)
BE Group	–	(38)	4	(30)
Bulkhaul Ltd	1	–	–	–
Institution of Chemical Engineers	–	(4)	–	–
Middlesbrough Council	609	(1,565)	526	(1,584)
Middlesbrough Football Club Foundation	–	(9)	–	(9)
Middlesbrough College	48	(2,147)	49	(2,136)
Redcar and Cleveland Borough Council	54	(28)	38	(55)
Redcar and Cleveland College	9	(738)	13	(684)
Rockliffe Hall Ltd	–	(3)	–	(2)
South Tees Hospital NHS Foundation Trust	35	(323)	36	(337)
Tees Valley Combined Authority	5	–	–	–
Tees Valley Unlimited	3	–	45	–
Teesside University Students' Union	386	(1,387)	20	(1,620)
Thirteen Group	2	(6)	3	(10)
Trinity Mirror Publishing (Gazette Media)	–	(26)	–	(28)
TTE Technical Training Group	9	–	7	–

No Board member has received any remuneration or has waived payments from the Group during the year (2015 – none).

The total expenses paid to or on behalf of two Board members was £1,097 (2015 - £906 to five Board members).

The President of Teesside University Students' Union (TUSU) is a member of the Board of Governors. The financial statements of TUSU are separately audited and are not consolidated with the University.

TUSU received a block grant from the University of £1,291,000 (2015: £714,000) and other specific grants of £40,000 (2015: £843,000).

7 Interest and Other Finance Costs

	Year ended 31 July 2016	Year ended 31 July 2015
	Consolidated and University	Consolidated and University
	£000	£000
Loan interest	37	36
Net charge on pension schemes	1,243	1,348
	1,280	1,384

8 Analysis of Total Expenditure by Activity

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Academic departments	62,328	62,328	61,044	61,044
Academic services	21,307	21,318	15,888	15,834
Research grants and contracts	2,884	2,884	2,499	2,499
Residences, catering and conferences	4,228	4,228	3,401	3,401
Premises	11,047	11,047	10,793	10,793
Administration	15,394	15,394	16,505	16,505
Other	8,986	8,946	8,958	8,945
	126,174	126,145	119,088	119,021

Other operating expenses include

External auditor's remuneration in respect of audit services	57	52
External auditor's remuneration in respect of non-audit services	33	42
Operating lease rentals:		
Land and buildings	761	917
Equipment	176	122

9 Taxation

Group and University

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

The tax charge for the year arises from the claim for Research and Development Expenditure Credits (RDEC).

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Current tax				
UK Corporation tax of 20% on surplus for the year	47	47	–	–
Factors affecting the tax charge				
Surplus before taxation	3,938	3,908	2,644	2,693
Surplus multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.67%)	788	782	547	557
Surplus falling within charitable exemption	(741)	(735)	(547)	(557)
Current tax charge	47	47	–	–

10 Fixed Assets

	Freehold land £000	Freehold buildings £000	Assets in the course of construction £000	Vehicles £000	Equipment and furniture £000	Total £000
Consolidated						
Cost						
At 1 August 2015	13,837	145,105	20,917	149	23,359	203,367
Additions in year	–	7,989	6,854	148	7,766	22,757
Transfers in year	–	20,269	(20,917)	–	648	–
Disposals in year	–	–	–	–	(1,807)	(1,807)
At 31 July 2016	13,837	173,363	6,854	297	29,966	224,317
Consisting of: Valuation as at:						
31 July 1997	–	45,082	–	–	–	45,082
31 July 1998	–	1,999	–	–	–	1,999
31 July 2014	13,830	–	–	–	–	13,830
Cost	7	126,282	6,854	297	29,966	163,406
	13,837	173,363	6,854	297	29,966	224,317
Depreciation						
At 1 August 2015	–	44,473	–	122	21,532	66,127
Charge for the year	–	4,687	–	42	1,389	6,118
Disposals in year	–	–	–	–	(1,807)	(1,807)
At 31 July 2016	–	49,160	–	164	21,114	70,438
Net Book Value						
At 31 July 2016	13,837	124,203	6,854	133	8,852	153,879
At 31 July 2015	13,837	100,632	20,917	27	1,827	137,240

10 Fixed Assets continued

	Freehold land	Freehold buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
University	£000	£000	£000	£000	£000	£000
Cost						
At 1 August 2015	13,837	145,468	20,917	149	22,005	202,376
Additions in year	–	7,989	6,854	148	7,765	22,756
Transfers in year	–	20,269	(20,917)	–	648	–
Disposals in year	–	–	–	–	(1,807)	(1,807)
At 31 July 2016	13,837	173,726	6,854	297	28,611	223,325
Consisting of:						
Valuation as at:						
31 July 1997	–	45,082	–	–	–	45,082
31 July 1998	–	1,999	–	–	–	1,999
31 July 2014	13,830	–	–	–	–	13,830
Cost	7	126,645	6,854	297	28,611	162,414
	13,837	173,726	6,854	297	28,611	223,325
Depreciation						
At 1 August 2015	–	44,473	–	122	20,297	64,892
Charge for the year	–	4,687	–	42	1,389	6,118
Disposals in year	–	–	–	–	(1,807)	(1,807)
At 31 July 2016	–	49,160	–	164	19,879	69,203
Net Book Value						
At 31 July 2016	13,837	124,566	6,854	133	8,732	154,122
At 31 July 2015	13,837	100,995	20,917	27	1,708	137,484

Asset revaluations

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

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

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

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

	31 July 2016		31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Cost	155,231	155,535	126,973	127,277
Accumulated depreciation and impairment	(37,859)	(37,859)	(33,803)	(33,803)
	117,372	117,676	93,170	93,474

11 Heritage Assets

Consolidated and University £000

Cost at 1 August 2015	66
Additions in year	17
Cost at 31 July 2016	83

Heritage assets comprise works of art acquired by mima.

12 Investment Property

Consolidated and University £000

Valuation as at 31 July 2016 and 31 July 2015	2,150
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The investment property, which is freehold, was revalued to market value as at 31 July 2016, by Matthew Clarke BSc (Hons), DipSurv, MRICS, for and on behalf of Sanderson Weatherall LLP, an independent valuer with recent experience in the location and class of investment property being valued.

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

13 Non-Current Investments

	Other Fixed Asset Investments		
	Cost £000	Valuation £000	Total £000
At 1 August 2015	30	177	207
Additions in year	–	15	15
Disposals in year	–	(13)	(13)
Appreciation	–	7	7
At 31 July 2016	30	186	216

	Other Fixed Asset Investments		Subsidiary companies	Total
	Cost £000	Valuation £000	£000	£000
At 1 August 2015	30	177	29	236
Additions in year	–	15	16	31
Disposals in year	–	(13)	–	(13)
Appreciation	–	7	–	7
At 31 July 2016	30	186	45	261

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

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

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

Other non-current investments consist of:

Consolidated and University	£000
Cost as at 31 July 2016 and 31 July 2015	
CVCP Properties plc	30

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

Other fixed asset investments at valuation comprise:

	31 July 2016 Consolidated and University £000	31 July 2015 Consolidated and University £000
Equities	156	147
Cash held within investment portfolio	30	30
	186	177

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

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

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
Anasyst Limited	Ordinary shares	20%	New optical techniques for measurements in liquid and gas using cavity-enhanced absorption spectrometry
Chemicam Limited	Ordinary shares	20%	Visible wavelength hyperspectral imaging for the positive identification of blood
Teegene Biotech Limited	Ordinary shares	20%	Extraction of high-value chemicals from algae, plants to micro-organisms for production of biosurfactants

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

14 Trade and other receivables

	31 July 2016		31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year				
Trade receivables	3,966	3,826	6,664	6,219
Amounts due from subsidiary companies	–	2,888	–	3,060
Prepayments and accrued income	5,992	4,269	5,598	4,120
	9,958	10,983	12,262	13,399

15 Current investments

	31 July 2016 Consolidated and University £000	31 July 2015 Consolidated and University £000
Short-term deposits	38,000	26,500

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

At 31 July 2016 the weighted average interest rate of these fixed rate deposits was 1.1% and the remaining weighted average period for which the interest rate is fixed on these deposits was 284 days. The fair value of these deposits was not materially different from the book value.

16 Creditors – amounts falling due within one year

	31 July 2016		31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Secured loans	100	100	100	100
Payments received on account	6,054	5,823	6,916	6,458
Trade payables	6,372	6,320	7,178	7,156
Social security and other taxation payable	1,732	1,732	1,675	1,671
Accruals and deferred income	11,366	11,351	11,382	11,376
Amounts due to subsidiary companies	–	1,191	–	1,489
	25,624	26,517	27,251	28,250

17 Creditors – amounts falling due after more than one year

	31 July 2016 Consolidated and University £000	31 July 2015 Consolidated and University £000
Secured loans	283	383
Deferred income - government capital grants	14,864	14,647
	15,147	15,030

18 Analysis of secured loans

	Consolidated and University 2016 £000	Consolidated and University 2015 £000
Due within one year	100	100
Due between one and two years	100	100
Due between two and five years	183	283
Total secured loans	383	483

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

The University has a formal set-off arrangement with Lloyds Bank in respect of a loan facility. At 31 July 2016 the amount of the loan outstanding was £3,792,000 (31 July 2015: £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.

19 Provisions for Liabilities

	Defined benefit obligation	Enhanced pensions	Obligation to fund deficit on USS pension	Total
Consolidated and University	£000	£000	£000	£000
At 1 August 2015	32,223	4,973	299	37,495
Utilised in year	—	(392)	—	(392)
Additions in year	28,982	720	231	29,933
At 31 July 2016	61,205	5,301	530	67,036

Defined benefit obligations

Defined benefit obligations relate to the liabilities under the University's membership of the Local Government Pension Scheme. Further details are given in note 24.

Enhanced pensions

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

	31 July 2016	31 July 2015
Price inflation	1.8%	3.0%
Discount rate	2.4%	2.9%

Obligation to fund deficit on USS pension

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

20 Income and Expenditure Reserve – Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted Expendable £000	Restricted Permanent £000	2016 Total £000	2015 Total £000
Consolidated and University				
At 1 August 2015				
Capital	39	91	130	119
Accumulated income	3	116	119	117
	42	207	249	236
Investment income	–	4	4	4
Expenditure	–	(5)	(5)	(2)
Increase in market value of investments	–	7	7	11
Total endowment comprehensive income for the year	–	6	6	13
At 31 July 2016	42	213	255	249
Represented by				
Capital	39	98	137	130
Accumulated income	3	115	118	119
	42	213	255	249
Analysis by type of purpose:				
Lectureships	11	–	11	11
Prize funds	13	2	15	18
Scholarships and bursaries	18	31	49	49
Research support	–	180	180	171
	42	213	255	249
Analysis by asset:	31 July 2016 £000	31 July 2015 £000		
Non-current investments	186	177		
Cash and cash equivalents	69	72		
	255	249		

21 Cash and Cash Equivalents

	At 1 August 2015 £000	Cash flows £000	At 31 July 2016 £000
Consolidated			
Cash and cash equivalents	24,931	(20,912)	4,019
University			
Cash and cash equivalents	23,973	(20,951)	3,022

22 Capital and other Commitments

	31 July 2016 Consolidated and University £000	31 July 2015 Consolidated and University £000
Provision has not been made for the following capital commitments at 31 July:		
Commitments contracted for	3,895	9,499

23 Lease Obligations

Total rentals payable under operating leases

	Land and buildings £000	31 July 2016 Plant and machinery £000	Total £000	31 July 2015 Total £000
Consolidated and University				
Payable during the year	761	176	937	1,039
Future minimum lease payments due:				
Not later than 1 year	556	8	564	744
Later than 1 year and not later than 5 years	–	179	179	100
Total lease payments due	556	187	743	844

24 Pension Schemes

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme England and Wales (TPS) and the Local Government Pension Scheme (LGPS), established locally as the Teesside Pension Fund (TPF). At 31 July 2016 ten members (2015: ten) of staff were members of the Universities Superannuation Scheme.

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

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
TPS	4,890	3,986
TPF including FRS 102 adjustments	4,948	5,060
Other pension schemes	105	116
Total Pension Cost (note 6)	9,943	9,162
Outstanding pension contributions at 31 July	1,095	1,046

24 Pension Schemes continued

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 2016:

TPS	TPF
14.1% to 31 August 2015	13.3%
16.48% from 1 September 2015	

Teachers' Pension Scheme

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

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

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

Valuation of the Teachers' Pension Scheme

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

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

The new employer contribution rate for the TPS was implemented from 1 September 2015.

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

Scheme changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £4,890,000 (2015: £3,986,000).

24 Pension Schemes continued

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The University is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The University has set out above the information available on the plan and the implications for the University in terms of the anticipated contribution rates.

Teesside Pension Fund

Introduction

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

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

Funding/Governance Arrangements of the TPF

The funded nature of the TPF requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The total contributions made for the year ended 31 July 2016 were £5,738,000, of which employer's contributions totalled £4,024,000 and employees' contributions totalled £1,714,000.

The agreed contribution rates for future years are 13.3% for employers and range from 5.5% to 12.5% for employees, depending on salary and for full pension entitlement. From 1 April 2014 employees were able to opt for a 50% pension entitlement and their contribution rate is half of the standard rate whilst the employers' contribution rate remains at 13.3%. In addition, the University is required to make an additional monetary contribution of £268,000 per annum for 3 years from 1 April 2014.

Assets

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

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

Risks associated with the Fund in relation to accounting

Asset Volatility

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

Changes in Bond Yield

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

Inflation Risk

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

Life expectancy

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

Exiting employers

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

24 Pension Schemes continued

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary. The next full actuarial valuation of the fund will be at 31 March 2016.

	At 31 July 2016	At 31 July 2015
	%	%
Rate of increase in salaries	1.8	2.1
Future pensions increases	1.8	2.1
Discount rate for scheme liabilities	2.4	3.6
Inflation assumption (CPI)	1.8	2.1

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

The assumed life expectations on retirement age 65 are:

	At 31 July 2016	At 31 July 2015
	years	years
Retiring today		
Males	23.1	23.0
Females	25.6	25.5
Retiring in 20 years		
Males	25.3	25.2
Females	28.0	27.8

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

	At 31 July 2016	At 31 July 2015
	Share of the assets	Share of the assets
	%	%
Equities	84.9	82.3
Gilts	1.5	1.7
Other bonds	0.8	1.6
Property	7.7	6.2
Cash	5.1	6.4
Other	–	1.8
	100	100

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

Assumption	Change in Assumption	Impact on fund deficit
Discount rate	Decrease by 0.1%	Increase by £5.5m
Rate of salary growth	Increase by 0.1%	Increase by £1.4m
Rate of increase to pensions in payment	Increase by 0.1%	Increase by £4m
Members live longer than assumed	One year longer	Increase by £6.1m

24 Pension Schemes continued

	At 31 July 2016 £000	At 31 July 2015 £000
Fair value of Fund assets	144,741	130,973
Present value of Fund liabilities	(205,946)	(163,196)
Deficit in the scheme recorded within provisions (note 19)	(61,205)	(32,223)
	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Amounts included in staff costs		
Current service cost	4,525	4,963
Past service cost	423	97
	4,948	5,060
Amounts included in interest and other finance costs		
Net interest cost	1,089	1,345
Amount recognised in Other Comprehensive Income		
Return on pension fund assets	7,714	4,560
Experience (losses)/gains on liabilities	(34,683)	545
	(26,969)	5,105
Deficit at 1 August	(32,223)	(34,680)
Movement in year:		
Current service cost	(4,525)	(4,963)
Employer contributions	4,024	3,757
Past service cost	(423)	(97)
Net interest on defined liability	(1,089)	(1,345)
Actuarial (losses)/gains	(26,969)	5,105
Deficit at 31 July	(61,205)	(32,223)
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	163,196	154,426
Current service cost	4,525	4,963
Interest cost	5,829	6,292
Contributions by scheme participants	1,714	1,726
Actuarial losses/(gains)	34,683	(545)
Benefits paid less individual transfers in	(4,424)	(3,763)
Past service cost	423	97
Defined benefit obligations at end of period	205,946	163,196

24 Pension Schemes continued

Changes in the fair value of fund assets

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Fair value of fund assets at start of period	130,973	119,746
Interest on fund assets	4,740	4,947
Actuarial gains	7,714	4,560
Contribution by the employer	4,024	3,757
Contributions by scheme participants	1,714	1,726
Benefits paid	(4,424)	(3,763)
Fair value of fund assets at end of period	144,741	130,973

History of experience gains and losses

	2016	2015	2014*	2013*	2012*
Difference between actual and expected return on fund assets:					
Amount (£000)	7,714	4,560	(13,006)	14,023	(4,468)
Percentage of scheme assets	5.3%	3.5%	(10.9%)	11.5%	(4.5%)
Experience (losses)/gains on fund liabilities					
Amount (£000)	(34,683)	545	(5,732)	(131)	–
Percentage of the present value of fund liabilities	(16.8%)	(0.3%)	(3.7%)	(0.1%)	–

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

Actual return on fund assets

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Expected return on fund assets	4,740	4,947
Actuarial gains on assets	7,714	4,560
	12,454	9,507

The Teesside Pension Fund 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 fund for the year ending 31 July 2017 is £3,685,000.

25 Accounting estimates and judgements

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

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

Estimates for the accounting for employee benefits

FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets for certain of the University's defined benefit plans. These are mainly actuarial assumptions such as discount rate, mortality rates and expected inflation rates. Differences arising from actual experience or future changes in assumptions will be reflected in future years. The key assumptions made for 2016 are included in note 24.

Valuation of land

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

Valuation of investment property

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

Provision for bad and doubtful debts

An assessment as to the ability of the University to recover trade debtors is made at each financial period end. A provision is made for any amounts that are not considered to be recoverable. Due to the nature of this provision an estimate is made as to the amounts that will be recoverable which involves judgement based on knowledge of the customer, the time that this amount has been outstanding and the level of uncertainty as to whether the customer has sufficient funds to pay these amounts.

26 Financial Instruments

Risk management

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

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

Credit risk

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

The group's credit risk arises from bank balances, investments, student debtors and government and commercial organisations as customers. Management of credit risk is a prime objective of Treasury Management Policy. At 31 July 2016, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

Student, government and commercial debtors are reviewed on an on-going basis and bad debt provisions are made if recovery of credit becomes uncertain. A debtor deemed irrecoverable is written off in accordance with the Financial Regulations. The concentration of risk is limited due to student base being large and diverse. The Treasury Management Policy states maximum level of investments for each counterparty to mitigate risk concentration. Similarly, the group's investment decisions are based on strict minimum credit worthiness criteria to ensure the safety of cash and investments. Credit worthiness of the group's banks and money market funds is regularly monitored. Generally, the group does not require collateral against financial assets.

Liquidity risk

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

Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds. The group policy is to maintain a minimum liquidity of £40m and invest excess funds for maturity of no more than 12 months. At 31 July 2016, the group is holding cash deposits and investments of various maturities, none of which is greater than 12 months. The average maturity of all deposits and investments is 125 days.

Foreign currency risk

Foreign currency risk refers to the risk that the unfavourable movements in foreign exchange rate may cause financial loss to the group.

The group's principal foreign currency exposures generally arise from research related receipts and payments denominated in euros. There are ring-fenced euro bank accounts, set up especially for research projects funded in euros. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Overall foreign currency exposure is immaterial, being insignificant portion of total Income and expenditure. At 31 July 2016, the sterling equivalent of all euro bank balances was £0.3m (2014-15: £1.9m).

Interest rate risk

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

The group's main financing relates to two loans with a total amount outstanding of £4.2m (2014-15: £4.8m). Interest is charged at margins above base rate and LIBOR. At 31 July 2016, balance sheet values of deposits and investments are not exposed to changes in interest rates. However, the group's interest and investment income is exposed to changes in interest rates i.e. reinvestment rate risk. The group is prepared to accept re-investment risk to exploit opportunities where yield can be maximised without compromising capital base of the investment. The group has no outstanding derivative instruments as at 31 July 2016.

Financial instruments - fair values

The fair values of each category of the group's financial instruments are the same as their carrying values in the group's Balance Sheet.

27 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 FEHE SORP. The accounting policies have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables:

Financial Position

Consolidated

		1 August 2014			31 July 2015		
		2007 SORP	Effect of transition to 2015 SORP	2015 SORP	2007 SORP	Effect of transition to 2015 SORP	2015 SORP
	Notes	£000	£000	£000	£000	£000	£000
Non-current assets							
Fixed assets	a	105,643	5,270	110,913	131,970	5,270	137,240
Heritage assets		66	–	66	66	–	66
Investment property	b	–	2,150	2,150	–	2,150	2,150
Non-current investments	c	30	149	179	30	177	207
		105,739	7,569	113,308	132,066	7,597	139,663
Endowment assets	c/d	236	(236)	–	249	(249)	–
Current assets							
Stock		41	–	41	80	–	80
Trade and other receivables		10,644	–	10,644	12,262	–	12,262
Current investments	d	39,500	(6,000)	33,500	32,500	(6,000)	26,500
Cash and cash equivalents	d	32,717	6,087	38,804	18,859	6,072	24,931
		82,902	87	82,989	63,701	72	63,773
Less creditors:							
Amounts falling due within one year	e	(21,951)	(2,897)	(24,848)	(24,457)	(2,794)	(27,251)
Net current assets		60,951	(2,810)	58,141	39,244	(2,722)	36,522
Total assets less current liabilities		166,926	4,523	171,449	171,559	4,626	176,185
Creditors:							
Amounts falling due after more than one year	e	(483)	(15,084)	(15,567)	(383)	(14,647)	(15,030)
Provisions for liabilities	f	(5,188)	(34,783)	(39,971)	(4,973)	(32,522)	(37,495)
Total net assets excluding pension liability		161,255	(45,344)	115,911	166,203	(42,543)	123,660
Net pension liability	f	(34,680)	34,680	–	(32,223)	32,223	–
Total net assets		126,575	(10,664)	115,911	133,980	(10,320)	123,660
Deferred capital grants	e	16,082	(16,082)	–	15,592	(15,592)	–
Restricted reserves							
Income and expenditure reserve – endowment reserve		236	–	236	249	–	249
Unrestricted reserves							
Income and expenditure reserve – unrestricted		92,897	148	93,045	101,410	2	101,412
Revaluation reserve		17,360	5,270	22,630	16,729	5,270	21,999
Total net assets		126,575	(10,664)	115,911	133,980	(10,320)	123,660

University

		1 August 2014			31 July 2015		
		2007 SORP	Effect of transition to 2015 SORP	2015 SORP	2007 SORP	Effect of transition to 2015 SORP	2015 SORP
	Notes	£000	£000	£000	£000	£000	£000
Non-current assets							
Fixed assets	a	105,887	5,270	111,157	132,214	5,270	137,484
Heritage assets		66	–	66	66	–	66
Investment property	b	–	2,150	2,150	–	2,150	2,150
Non-current investments	c	59	149	208	59	177	236
		106,012	7,569	113,581	132,339	7,597	139,936
Endowment assets	c/d	236	(236)	–	249	(249)	–
Current assets							
Stock		41	–	41	80	–	80
Trade and other receivables		12,542	–	12,542	13,399	–	13,399
Current investments	d	39,500	(6,000)	33,500	32,500	(6,000)	26,500
Cash and cash equivalents	d	31,109	6,087	37,196	17,901	6,072	23,973
		83,192	87	83,279	63,880	72	63,952
Less creditors:							
Amounts falling due within one year	e	(23,110)	(2,897)	(26,007)	(25,456)	(2,794)	(28,250)
Net current assets		60,082	(2,810)	57,272	38,424	(2,722)	35,702
Total assets less current liabilities		166,330	4,523	170,853	171,012	4,626	175,638
Creditors:							
Amounts falling due after more than one year	e	(483)	(15,084)	(15,567)	(383)	(14,647)	(15,030)
Provisions for liabilities	f	(5,188)	(34,783)	(39,971)	(4,973)	(32,522)	(37,495)
Total net assets excluding pension liability		160,659	(45,344)	115,315	165,656	(42,543)	123,113
Net pension liability	f	(34,680)	34,680	–	(32,223)	32,223	–
Total net assets		125,979	(10,664)	115,315	133,433	(10,320)	123,113
Deferred capital grants	e	16,082	(16,082)	–	15,592	(15,592)	–
Restricted reserves							
Income and expenditure reserve – endowment reserve		236	–	236	249	–	249
Unrestricted reserves							
Income and expenditure reserve – unrestricted		92,301	148	92,449	100,863	2	100,865
Revaluation reserve		17,360	5,270	22,630	16,729	5,270	21,999
Total net assets		125,979	(10,664)	115,315	133,433	(10,320)	123,113

Explanation

a Revaluation of fixed assets

On adoption of FRS 102 the University has revalued its freehold land to its 'deemed cost'. This has resulted in an increase of £5.27m.

b Investment properties

FRS 102 requires investment properties to be valued at fair value hence a valuation has been undertaken. Investment properties have also been reclassified where they were previously included in tangible fixed assets.

c Investments

FRS 102 requires that endowment asset investments are accounted for as part of the University's investments. At 1 August 2014 and 31 July 2015 the adjustments are the value of investments held by the University's endowment funds.

d Current asset investments and cash and cash equivalents

FRS 102 identifies cash equivalents as deposits with a maturity of less than 3 months at the time of initial placement. Under previous UK GAAP cash equivalents were defined as deposits being available within 24 hours. The University had deposits of £6m at each of the two dates with a maturity of less than 3 months at initial placement. The additional adjustment to cash and cash equivalents of £0.087m represents cash held by University endowment funds.

e Creditors: Amounts falling due within one year

Recognition of short-term employment benefits

Under previous UK GAAP no recognition was made for short-term employment benefits such as holiday pay. Under FRS 102 the costs of short-term employment benefits are recognised as a liability and an expense. As a result of the requirement to accrue for holiday that was earned but not taken at the date of the statement of financial position, there is an accrual for unused holiday entitlement of £1.899m at 1 August 2014 and of £1.849m at 31 July 2015.

Government grants

The University has been in receipt of certain capital grants classified as government grants under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP these were able to be capitalised and amortised over the remaining useful life of the relevant fixed assets. FRS 102 requires such grants to be accounted for either based on the performance model or the accrual model. The University has adopted the accruals model and whilst the grant continues to be recognised in income on a systematic basis over the expected useful life of the asset, the credit balance is now included as deferred income in creditors falling due within one year and after more than one year. The amount falling due within one year at 1 August 2014 was £0.998m and after more than one year it was £15.084m. The financial position at the end of the year was £0.945m and £14.647m respectively.

f Pension provisions

The adjustments to the opening and closing amounts comprise a re-categorisation of 'Provisions for liabilities' and 'Net pension liability' together with the recognition of the University's share of the USS deficit. This is a defined multi-employer plan and, in accordance with FRS 102, where the University has an obligation to fund past deficits within a scheme then the liability must be recognised on the balance sheet.

Financial Performance

Consolidated

Year ended 31 July 2015					
		2007 SORP	STRGL items	Effect of transition to 2015 SORP	2015 SORP
	Notes	£000	£000	£000	£000
Income					
Tuition fees and education contracts		87,334	–	–	87,334
Funding Council grants		16,668	–	–	16,668
Research grants and contracts		2,283	–	–	2,283
Other income		14,971	–	–	14,971
Endowment and investment income	g	2,367	(1,902)	–	465
Total income		123,623	(1,902)	–	121,721
Expenditure					
Staff costs	h	76,177	201	143	76,521
Other operating expenses		36,163	–	–	36,163
Depreciation		5,020	–	–	5,020
Interest and other finance costs	g	36	1,345	3	1,384
Total expenditure		117,396	1,546	146	119,088
Surplus for the year		6,227	(3,448)	(146)	2,633
Appreciation on endowment asset investments		11	–	–	11
Actuarial gain in respect of pension schemes	g	1,657	3,448	–	5,105
Total comprehensive income for the year		7,895	–	(146)	7,749
Represented by					
Endowment comprehensive income for the year		13	–	–	13
Unrestricted comprehensive income for the year		7,882	–	(146)	7,736
		7,895	–	(146)	7,749

University

Year ended 31 July 2015

		2007 SORP	STRGL items	Effect of transition to 2015 SORP	2015 SORP
	Notes	£000	£000	£000	£000
Income					
Tuition fees and education contracts		86,592	–	–	86,592
Funding Council grants		16,668	–	–	16,668
Research grants and contracts		2,283	–	–	2,283
Other income		15,706	–	–	15,706
Endowment and investment income	g	2,356	(1,902)	–	454
Total income		123,605	(1,902)	–	121,703
Expenditure					
Staff costs	h	76,125	201	143	76,469
Other operating expenses		36,148	–	–	36,148
Depreciation		5,020	–	–	5,020
Interest and other finance costs	g	36	1,345	3	1,384
Total expenditure		117,329	1,546	146	119,021
Surplus for the year		6,276	(3,448)	(146)	2,682
Appreciation on endowment asset investments		11	–	–	11
Actuarial gain in respect of pension schemes	g	1,657	3,448	–	5,105
Total comprehensive income for the year		7,944	–	(146)	7,798
Represented by					
Endowment comprehensive income for the year		13	–	–	13
Unrestricted comprehensive income for the year		7,931	–	(146)	7,785
		7,944	–	(146)	7,798

Explanation

g Investment income and Interest and other finance costs

Included within investment income under the previous UK GAAP was £1.902m pension finance return. This was the net of the expected return on the TPF assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income and Expenditure, of a net interest cost, calculated by multiplying the net fund obligations by the market yield on a high quality corporate bond (the discount rate). This change has had no effect on net assets as the measurement of the net defined benefit fund obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by an increase in the actuarial gains presented within 'Other comprehensive income'.

h Staff costs

The increase in staff costs is due to the deficit charge for the year in respect of the USS (see explanation g above) off-set by a release of the accrued holiday entitlement. The STRGL charge of £0.201m relates to the recalculation of the current service cost under FRS 102 of the TPF.

Cash Flows

The only impact of the transition to FRS 102 on the cash flows of the University and the Group is the reclassification of some short term investments to cash and cash equivalents as shown above.

