

Inspiring success



Governors' Report and Financial Statements

for the year ended
31 July 2011





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Foreword from the Chairman and Pro-Chancellor

I am pleased to introduce the Governors' Report and Financial Statements.

During the year 2010-11, we were delighted to welcome HRH The Princess Royal to open the Centuria South Building and it gave us great satisfaction to establish the University campus in Darlington.

However, there have been numerous other developments during the year which demonstrate our contribution to the economic, social and cultural life of our communities, in addition to our continuing commitment to provide an enriching student experience, to engage in research, and to develop partnerships with employers. These are all roles for which the University is increasingly recognised.

Therefore, it was fitting and richly deserved that, in the 2011 New Year Honours list, our Vice-Chancellor and Chief Executive, Professor Graham Henderson, was awarded the CBE, for local and national services to higher education. I am delighted to have this opportunity to place on public record the warmest congratulations of our whole University community.

Our higher education system is facing a period of major change. As we look forward to a challenging future, my colleagues on the Board of Governors and I believe that we have established a firm foundation on which we can continue to build.

I commend this report to you as an outline of our achievements.

Sandy Anderson OBE DL FREng
Chairman and Pro-Chancellor



Board of Governors

Independent Members

Mr Sandy Anderson OBE (Chairman and Pro-Chancellor)

Mr Paul Booth

Mr Bob Cuffe

Mr Neil Etherington (resigned 18 March 2011)

Mr Chris Fleetwood

Ms Tricia Hart

Mr John Irwin

Mr Alastair MacColl (Deputy Chair)

Mr Sean Price

Mr Keith Robinson (Treasurer)

Ms Amanda Skelton

Mrs Alison Thain OBE

Co-opted Members

Mr Ernie Haidon

Mr David Heaton OBE

Mr John Hogg

Ms Sue Kiddle (appointed 12 November 2010)

Dr Terry Murphy

Professor Gerda Roper (resigned 15 July 2011)

Mr Peter Rowley

Mrs Beverly Simpson

Dr Mark Simpson (appointed 15 July 2011)

Ms Lori Wheatman

Vice-Chancellor and Chief Executive

Professor Graham Henderson CBE

Secretary

Mr J Morgan McClintock

Operating and Financial Review

Introduction

In 2010, Teesside University celebrated its 80th anniversary. It was founded in 1930 as Constantine College and became Teesside Polytechnic in 1969. It was redesignated as the University of Teesside in 1992. In 2009 the Privy Council authorised a change of the institutional name to 'Teesside University'.

Teesside University is an exempt charity under the terms of the Charities Act 2006. It is regulated by the Higher Education Funding Council for England (HEFCE) which has been appointed the principal regulator of Higher Education Institutions (HEIs).

The University derives income from a wide variety of sources, but a significant majority of its funding comes from grants from HEFCE, the National Health Service (NHS) and tuition fees. HEFCE is the major public sector funder of HEIs as a whole, and the University, in common with all other HEIs, is accountable to HEFCE for public funds. The relationship between the University and HEFCE is codified in a Financial Memorandum, which sets out the rights and responsibilities of both parties.

The NHS, through the North East Strategic Health Authority, continues to commission a range of training places for the delivery of nursing and midwifery, allied health professions, continuing professional development, clinical psychology, improving access to psychological therapies, medical ultrasound and nurse prescribing. From the beginning of the 2010-11 academic year, the training of dental hygienists and therapists has also been commissioned.

Mission and Vision

The University's mission, which is encapsulated in the following, is central to the pursuit of the University's vision:

Providing Opportunities, Driving Enterprise, Delivering Excellence

Working in partnership to enable individuals and organisations to achieve their potential through high-quality learning, research and knowledge transfer.

To achieve regional, national and international recognition as the UK's leading University for working with business and to be amongst the UK's top institutions of higher education in relation to:

- **being a vibrant and effective learning community with students at the heart of everything we do,**
- **enhancing academic and professional standards and producing highly employable graduates for the benefit of both individuals and organisations,**
- **contributing effectively to the economic, social and cultural success of the communities that we serve, and**
- **demonstrating a real and continuing commitment to social inclusion.**

Higher Education White Paper:

Students at the Heart of the System

The Government published its White Paper in June 2011 and the University submitted its response in September 2011. Although the University was pleased to note that the Government remains determined that participation in higher education in the UK will continue to grow, there are concerns over some proposals.

The Board is concerned that the 'core and margin' approach set out in the White Paper may have the effect of forcing students away from popular institutions, towards new providers for whom there is, as yet, no real evidence of any demand; similarly the proposal to allow all high achievers (AAB and above) to progress to the University of their choice will be achieved by significantly reducing the number of places available within the current higher education pool for the large number of other students with credible results in their level 3 qualifications who also wish to take advantage of higher education. Removing numbers in these ways from institutions such as Teesside, who are the only higher education providers in their area, will almost certainly result in an overall reduction in the quantum of higher education

provision available to support the local economy. It will be important for government to ensure that any mechanisms adopted do not result in a movement of student numbers away from areas with major higher level skills shortages and historical under-participation in higher education.

Further the proposal to restrict bids for additional student numbers in 2012 to institutions committed to an average fee level below £7,500 has the potential to result in a number of adverse consequences including restricting student choice and undermining strong, meaningful and strategically important partnerships between higher education and further education, whilst simultaneously undermining the growth strategy of institutions, like Teesside, who were actively committed to all of the Government's future intentions for higher education.

In considering any steps to either widen the provider base or revise the criteria for the award of University Title or Degree Awarding Powers, the Board stresses the need to recognise the wide diversity that already exists within the sector to ensure that the global reputation of UK higher education is protected by ensuring institutions have access to the necessary infrastructure, resources, expertise and research/scholarly capacity to guarantee that students can gain a fully rounded and research informed undergraduate student experience.

The contributions made by universities to cities and towns such as Middlesbrough should not be underestimated. Many universities, like Teesside, have become central to virtually every element of the social, economic and cultural development of the town/city in which they are located and have also become true beacons for community cohesion and community engagement.

Public Benefit Statement

The University's charitable objects are set out in section 124 of the Education Reform Act 1988. They include powers to provide higher education, to carry out research and to publish the results of the research (or any other

material arising out of or connected with it) in such a manner as the University sees fit.

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

There are two key principles of public benefit. First, there must be an identifiable benefit or benefits, and second, the benefit(s) must be to the public, or to a section of the public.

Teesside University is a strong supporter of social inclusion and is committed, in principle and in practice, to the economic, social and cultural success of the communities it serves. When the University was awarded the *Times Higher Education's* University of the Year Award in 2009-10, the judges (amongst many other attributes) singled out its commitment to working with communities and businesses, making it 'the public benefactor par excellence'. The Board of Governors has recently endorsed the re-statement of the University's commitment to Community Engagement through the Corporate Social Responsibility Framework.

The University places a huge importance on the overall quality of the student experience and it continually strives to provide all students with a friendly and supportive environment where they are most likely to flourish. The University offers its students an extensive range of accessible learning resources and is committed to a high-level of professional student support. It has been acknowledged by the Quality Assurance Agency for Higher Education as being successful in its widening participation efforts and for its strong partnerships with local Further Education colleges.

Teesside University is playing a critical role in helping to drive the region's economic future. It has capitalised on its digital media and technology expertise to create a thriving cluster of digital and creative businesses in the Tees Valley through the Digital City project. In addition, by engaging with industry, the University has targeted knowledge and skill gaps identified by employers and provided a regional, national and international network to help new businesses form contacts and grow.

Operations

Overview

The University, currently, has over 28,000 students, of whom 42% are studying on full-time/sandwich courses and 58% on part-time courses. 9.8% of full-time students are domiciled overseas (outside the EU).

The University has a very strong sub-regional Higher Education Business Partnership (HEBP) with local further education colleges, in Middlesbrough, Stockton, Redcar & Cleveland, Hartlepool and Darlington. The colleges provide potential learners with access to extensive webs of higher education opportunities. University-funded higher education centres have now been opened in all five partner colleges.

The University is continuing to develop its research capability, centred around five Research Institutes. A strong emphasis is placed on applied research and development, which is capable of contributing to the regional economy and of responding to regional needs. The focus is on knowledge and technology transfer, business support and advice, placement of students within the work environment, work-based learning, and the creation of new start-up and spin-out companies. To support this, the University continues to ensure that its programmes of study are appropriately underpinned by research, scholarship and evidenced-based contemporary professional practice.

Darlington

The University has invested £13 million in a new campus in Darlington which opened in September 2011. The facilities represent a strong commitment by the University to significantly broaden the provision of higher education for the west of the Tees Valley, South Durham, and North Yorkshire. The campus will build upon the platform created through the success of operating a higher education centre with Darlington College and through provision at the University's interim Darlington campus, The Fairway.

The campus is a state-of-the art learning space, ideal not only for degree-level study, but also for short courses, conferences and events. The building includes a library, cafe, formal and informal learning spaces and two computer suites. The top floor is a very high specification 'corporate floor' which

includes a boardroom, a lounge for networking, a large teaching room and an outdoor terrace.

Working in partnership with Darlington College, the campus is based upon a vision to develop Darlington higher education by focusing on:

- part-time and blended delivery, of relevance to students and employers
- regional and national corporate provision and services to business, (benefiting from the geographical location of the campus).
- a limited number of full-time programmes for local residents.

The Darlington Campus will contribute to:

- developing the skills of the local workforce
- providing additional progression opportunities for students at level 4 and above, and inspiring and facilitating participation in higher education
- providing a hub from which to deliver blended learning provision for students from around the country
- helping stimulate the local economy.

Many of the University's courses have a business or employment/professional development focus and almost all are delivered through part-time study and blended learning delivery, across a range of subjects including business management, health and education. The University is working with partners (particularly Darlington College) to provide progression opportunities to higher education courses, taught at the campus.

Raising Aspirations and Widening Participation

Funding for the successful Aimhigher initiative closed on 31 July 2011 but the University continues to deliver a range of initiatives designed to drive up aspirations and participation across the wider Tees Valley. The University has focussed its primary schools level work (Meteor) around support for our new Darlington campus and our two University Academies, Freebrough (in Redcar & Cleveland) and Thornaby (in Stockton-on-Tees). Our Meteor Summer School has been awarded the 2012 Olympic 'Inspire' charter mark for inspiring and raising young people's awareness of the 2012 Olympics.

The two new academies, Freebrough and Thornaby, which are sponsored by the University were opened in September 2010. During the first year of operation governance has been established and a strong set of relationships has been developed across the University to support opportunities for the schools, the learners and the communities.

The University has also made significant progress in forging new relationships and extending our student recruitment footprint with schools and colleges outside the region but our partnership with Tees Valley sixth forms, further education colleges and 11-18 schools remains central to our widening participation and raising aspirations work.

To prepare for full-time fees increasing significantly in 2012, the University's Passport Scheme has offered support to its 32 institutional members of the scheme to 'demystify' common misconceptions and concerns regarding the new fees regime. The Student Recruitment team within the University is focussed on providing information to students, parents, teachers and key influencers on the new arrangements.

The June 2011 Open Day saw an increase in visitor numbers of 23.6% with an attendance of just under 3,000.

In parallel with this activity, our Summer University programme offers an essential route for mature students wishing to progress to full and part-time higher education programmes through a non-traditional route. Offered at both Darlington and Middlesbrough sites in 2011, the Summer University continues to make a substantial contribution to the recruitment of mature and non-standard entrants.

In 2010-11, the University delivered the first of its postgraduate virtual open days, where students considering postgraduate study were able to access staff online to discuss study options. The University won a CIPR Excellence Award for the Postgraduate Virtual Open Day in the website category.

The HEBP continues to make a significant contribution to widening participation and creating opportunities for localised delivery of Higher Education in Further Education Colleges. The learning experience for students, and commitment to the policy of 'distributed higher education', has been

enhanced by the University's investment in higher education centres for all five partners.

The University's record in widening participation continues to significantly exceed virtually all benchmarks and the excellence of our work is widely acknowledged.

Student Recruitment

The capped market for full-time undergraduate new entrants remains in place for 2011-12, and as this is the last academic year before the introduction of variable tuition fees applications for entry onto programmes are significantly higher than in previous years. However, despite significant marketing and recruitment activity and ongoing support for progression opportunities for our final-year students onto postgraduate programmes we experienced a decrease in applications. This appears to be a growing sector-wide issue which is a major concern going forward.

A new approach to the marketing and recruitment activity for part-time programmes was developed and implemented during the year in order to reach an increasingly challenging market. This has produced increased applications to many of our part-time programmes, but not across all Schools. The Department of Marketing and Student Recruitment continues to support the work of Schools and the Department of Academic Enterprise with key stakeholders and partners in the development and delivery of bespoke provision and business engagement.

Following the successful opening of the Darlington campus in September, considerable activity has taken place to promote the courses and facilities on offer to both the local communities, as well as local and regional businesses. This has resulted in a significant increase in applications and enrolments for programmes delivered at Darlington. We will continue to work collaboratively with internal and external stakeholders to ensure this development is a success.

The University's Department of Marketing and Student Recruitment continues to deliver successes which this year have included the CIPR Excellence Award for the postgraduate virtual open day and the HEIST Awards for the Best Use of Innovation and Creative Thinking in Education Marketing, and in the category of Best Alumni/Fundraising Campaign.

A revised structure has been implemented which will ensure the University has the relevant technical and creative skills to support its ongoing activities in a challenging period for the sector within a streamlined effective and efficient Department.

International Activity

The University continues investment in, and development of, international recruitment activities. International student numbers have increased again from 1,200 in 2009-10 to over 1,600 in 2010-11, exceeding growth targets, and work continues in establishing a strong Teesside presence in major markets. The opening of our third international office, in Beijing, means that the University now has three offices to support the development of strategic partners and international recruitment. We continue to develop a network of strong transnational partners in a range of countries both within and outside the EU. The University has developed a set of robust procedures for the approval and management of its international partners, including the production of a new international operation manual to ensure consistency of approach across all our partnerships.

The future for continued growth, in the short to medium term, will be affected by changes to the UKBA immigration rules which will affect recruitment in a number of countries and most dramatically in the Indian Sub-Continent. The University is a significant recruiter in the Middle East and North Africa and the Arab Spring will affect recruitment in the short term. Strategies are in place to mitigate the effects of these external factors. These include the acceleration of the development of transnational educational partnerships, exploration of new markets and enhanced web presence and enquiry management and conversion processes.

Student Experience

The University is committed to providing an excellent student experience for all our students, and feedback confirms our success in this area. For instance in the latest 2011 National Student Survey (NSS) we achieved an 'overall satisfaction' score of 82%, and in six subject disciplines satisfaction was exceptionally high, with History achieving a 100% score and three other subjects obtaining 90% or over with regards to overall satisfaction.

In the Postgraduate Taught Experience Survey 78% of students report having their expectations met or exceeded in all key areas with the 'overall satisfaction with my course' rising from 82% to 87% in 2011.

Our international students continue to report high levels of satisfaction with their experience at Teesside University, according to the International Student Barometer with overall satisfaction having increased to 88%.

These scores ensure that we remain one of the top performing new universities as reported in the *Times Higher Education's* Student Experience Survey, with an overall satisfaction score of 77.9% placing us 31st out of 113 institutions. We are also consistently improving our league table positions and, in the *Guardian* survey for example, we have moved up some 19 places in 2011.

Employability

This remains a key issue for the University and our graduates, given the increasingly challenging economic environment. As a consequence further work has been undertaken to ensure that employability is embedded as a fundamental component of all academic provision. This is being realised through a series of structured and supported 'learning from work' experiences; and by ensuring that curricula develop confident graduates equipped with relevant skills and the ability to apply knowledge appropriately.

The entrepreneurs@tees initiative has been a successful partnership between the University and the Students' Union with students engaging positively with the enterprise agenda. Alumni have contributed to the activity by mentoring students and offering work placement opportunities.

Going forward it is the University's aim to become increasingly recognised as a University for supporting students throughout their study programmes and beyond graduation.

Teaching and Learning

The Department for Learning Development provides leadership in enhancing the quality of the student learning experience through staff and organisational development, and signals the importance that the University places on the student learning experience. The University works closely with the Higher Education Academy (HEA), and in October 2011 secured a HEA/Joint Information

Systems Committee (JISC) project grant of £20,000 to work in conjunction with them on their Open Educational Resources initiative. The University added to the success of its staff in gaining the prestigious National Teaching Fellow awards through the award of another National Teaching Fellow in 2011. These Fellows, together with University Teaching Fellows and Associate Fellows, provide an important learning and teaching resource. They work closely with staff in the Department for Learning Development on key institutional priorities, which are derived from our Learning, Teaching and Assessment Strategy. These priorities include a focus on enhancement of the progression and achievement of students; the development of the enterprise and employability skills of our students and graduates and the provision of a more international experience for all of our students.

Quality

In 2010-11, aspects of the Quality and Standards Framework were reviewed and revised in response to key internal and external drivers, to ensure they remain fit for purpose. In particular, the Credit Accumulation and Modular Scheme was revised to enable the University to respond rapidly to new business opportunities and requirements, whilst maintaining academic standards. An Assessment and Feedback Policy was also developed in consultation with the Students' Union and Staff Unions and established by the Academic Board for immediate implementation in February 2011. It is anticipated that this will have a significant impact on assessment practice and feedback with subsequent improvement in NSS-related responses.

The University has responded to several external consultations including a review of the Academic Infrastructure and Wider Public Information. This has informed the detailed work ongoing in the academic year 2011-12 to implement these requirements.

The Action Plan following the Institutional Audit in 2009 continued to be successfully implemented and monitored.

Following on from the successful HEBP Developmental Integrated Quality and Enhancement Review (IQER) of last year there will now be a summative review process which begins in January 2012. This time the reviews will be on an individual institution basis and will look at the

management of academic standards for each of the colleges within HEBP. The Department of Educational Partnerships will provide full support to the colleges throughout the reviews.

The School of Health & Social Care had another successful annual contract review with the Strategic Health Authority on 21 March 2011.

The Strategic Health Authority thanked the University for its 'excellent quality report which had a strong underpinning baseline of evidence'. They also congratulated the School on its excellent report resulting from the Nursing and Midwifery Council monitoring process. This report identified that robust processes, procedures and governance arrangements are firmly embedded in the School.

In recognition of the continuous improvement in the quality of our provision, and of the work carried out to develop information systems for quality monitoring and to provide a sound platform for future year's information, a bonus of 3.5% of the Benchmark price contract was awarded.

Research

The University's five research institutes continue to support the development and application of high-quality research, with a particular emphasis on multidisciplinary work and collaboration with external partners.

The five institutes are:

- Digital Futures Institute
- Health and Social Care Institute
- Institute of Design, Culture and the Arts
- Social Futures Institute
- Technology Futures Institute.

Preparations for the 2014 Research Excellence Framework (REF) have now begun in earnest, following publication by HEFCE of submission guidance. Alongside this, initiatives from previous years continued, including the International Visiting Academic scheme to facilitate Teesside staff in hosting visits and further developing collaborative research with key international partners. Teesside also has a number of internationalisation projects funded by the British Council which aim to develop research links between universities and private sector organisations. Collaborations have involved leading universities in Portugal, Thailand, Russia, China, Malaysia, Qatar, Japan, Korea and USA.

Two of our leading researchers, Professor Rob MacDonald and Professor Marc Cavazza, have received prestigious awards. Professor MacDonald has been awarded the title of Academician of the Academy of Social Sciences for his contribution to social sciences. Professor Cavazza has been offered the Queen Victoria Chair, a visiting position at the Complutense University of Madrid, one of the oldest universities in the world, for 2011-12.

We have established an institutional research repository, TeesRep, which provides freely available access to our research outputs. The Graduate Research School is working with the Department of Academic Enterprise for delivery of the North East Enterprise Europe Network (EEN). The North East EEN will increase opportunities to develop research and innovation proposals with regional businesses for National and Framework Programme funding, as well as increasing access to a Europe-wide network.

Research Councils UK (RCUK) and Universities UK published a report, entitled *Big Ideas for the Future*, which provided case studies of University research with direct relevance to society. Teesside University made a significant contribution through three of our research projects on tackling worklessness, a device for diagnosis of deep vein thrombosis and the use of a virtual boxing game to improve health and well-being.

We have changed our research administration processes so that annual monitoring of postgraduate research students is now carried out through annual formal face-to-face meetings. This approach has been well received and provides more effective scrutiny of student progress. A comprehensive review of research degree administration processes is to be carried out by a cross-university Process Review Group to ensure more efficient and effective research degree processes.

Business Engagement Activities

The changing external environment, coupled with the ending of a number of key funding initiatives, posed challenges for the delivery of business activity during the year. Despite this, however, performance overall was strong, with income for 2010-11 at a similar level to 2009-10 in a very uncertain economic climate. Commercial income was maintained at just over £6 million representing just under 70% of overall business engagement income; and co-funded workforce

development numbers (jointly funded full-time equivalent employer-based students) showed an increase on 2009-10 of 12% to 789 full-time equivalents (FTEs). The University worked with 546 businesses in total, supporting its activity with robust customer relationship management.

This level of performance represents a good platform for development in 2011-12, when the University will be confirming its strategies for business growth in the post-July 2012 funding environment.

Local Enterprise Partnership

The emergence of Tees Valley Unlimited as one of the first formally-agreed Local Enterprise Partnerships (LEP), and the Vice-Chancellor's appointment to the LEP Board, meant that the University is well-placed to play an active role in the new localism agenda, including active involvement in the Employment and Skills Strategy and in the development of the LEP Business Plan, both of which underline the University's role in supporting key growth sectors in the Tees Valley. The LEP actively supported the University's bids to Regional Growth Fund Round 2. The impact of the new LEP structures on University activity beyond the Tees Valley has yet to be ascertained.

Enterprise and Knowledge Transfer

Key developments during the year included the completion of phase 3 of the Institute of Digital Innovation (IDI). A key component of DigitalCity, the IDI has played a critical role in creating the businesses and jobs that underpin the development of a high-growth digital cluster in the Tees Valley. By the end of its three-year project phase, 190 jobs had been created against a target of 130; and 132 companies had been created against a target of 93. Targets for delivery of digital skills programmes were exceeded by almost 300%. These achievements make the IDI one of the highest-performing projects, if not the highest-performing, in the North East. While reductions in funding have meant a number of changes to project structure, management and delivery for the future, DigitalCity Fellowships and business creation will remain the cornerstone of the initiative. Future activity will also capitalise on closer links with academic Schools and a close working relationship with DigitalCity Business, to reinforce the project's role in delivering innovation to business and in building the

University's reputation. The IDI is being renamed DigitalCity Innovation, to make its role in DigitalCity fully explicit.

HEIF 4, the fourth round of Higher Education Innovation Fund from HEFCE, also came to an end in July 2011; but the University was successful in its bid to HEIF 5 despite changes to the allocation formula which heavily favoured research-intensive universities. In the face of these changes, the University did well to receive an allocation representing only a 4% reduction in annual funding. This was largely a result of good performance in 2009-10. Plans for the use of HEIF 5 funding to support business engagement were agreed in early 2011, enabling a smooth transition at the end of the year.

Despite funding restrictions and changes to criteria for Knowledge Transfer Partnerships (KTPs), the University continued to win KTP approvals at a faster rate than other HEIs in the region; and a KTP with Stanley Vickers won a Grade A – Outstanding award – one of fewer than 5% nationally. To counteract reductions in KTP funding, the University successfully created its own knowledge transfer product for SMEs in the region. Knowledge Exchange Internships, funded through ERDF, mean that 30 companies per annum will be helped to introduce performance improvements by the University.

2010-11 saw the launch of entrepreneurs@tees, a programme to encourage students with entrepreneurial skills and attitudes, and to offer support to potential entrepreneurs. The programme recruited almost 300 students, running a series of business competitions throughout the year. It was endorsed by NACUE, the National Consortium of University Entrepreneurs, who visited the University as part of an exercise to survey the top ten enterprise HEIs. Plans for entrepreneurs@tees in 2011-12 include expanding numbers to 600, and establishing a network of successful entrepreneurs as mentors and supporters of the programme.

Business start-up activity included support for a total of 96 new companies – the highest number achieved to date. Demand for business incubation is rising, and the numbers supported are limited largely by availability of space. In 2011-12, the Graduate Enterprise Team and the DigitalCity Innovation Team will be working more closely together to optimise support for new companies.

The University successfully completed delivery of 250 internships in the calendar year 2010, funded through HEFCE initiatives. This was the highest number in the region, with a 60% job success rate. It led to the development of a further, ERDF-supported, internship scheme, which aims to deliver 125 graduate internships per annum over three years.

Workforce Development

The University's £5.13 million Strategic Development Fund (SDF) project largely ended in July 2011, having delivered 1,745 co-funded ftes, equating to over 6,410 individuals. This represents a significant proportion of total co-funded ftes delivered nationally over the same three-year period through HEFCE SDF support. The SDF project achieved all of its key objectives, and many of the developments it funded (such as the Account Manager team, customer relationship management system, employer quality processes) are being sustained. Co-funding remains in place for 2011-12 but is expected to cease, following a period of transitional funding. Preparing for this change is a key priority for 2011-12, with a growing focus on developing full-cost accredited and non-accredited provision.

Activity in 2010-11 involved working with a total of 66 employers, delivering 789 FTEs. A major dissemination conference for the sector was held on 3 November 2011.

Business Engagement from Darlington Campus

Work was undertaken during the year to build the business base for the Darlington campus. This included establishing a presence in the town through membership of business clubs and sponsorship of events, liaison with Darlington Council, and a promotional campaign culminating in a successful business event at the campus itself, which attracted over 70 companies. A market research exercise was commissioned to establish the campus footprint and to determine business demand for skills: this exercise revealed a high level of business awareness of the campus. 2011-12 will see the development of key account management for significant Darlington employers, a process which is now under way with senior management meetings with key employers.

Strategic Partnerships

The University continued to work closely with the Centre for Process Innovation (CPI), which was awarded Technology and Innovation Centre status during the year, and is developing a Memorandum of Understanding as part of the process to establish a joint R&D Centre.

CPI invited the University to become a partner in the European Enterprise Network (EEN) North East, one of 600 consortia across Europe supporting companies to expand into Europe. Teesside is now the lead partner in the EEN, with Newcastle Science City as a third partner. This represents a significant opportunity to develop new business relationships, promote innovation opportunities, and grow European networks.

The University is also working with the Business and Enterprise Group, and is a partner in the submission to operate a Business Coaching for Growth programme in the Northern region.

Financial Performance

| Key Financial Data | 2010-11 £000 | 2009-10 £000 |
|---|-----------------|-----------------|
| Total income | 146,679 | 141,322 |
| Total expenditure | 134,104 | 134,334 |
| Surplus for the year | 12,575 | 6,988 |
| Exceptional items (included in above): | | |
| HEFCE adjustment | – | (8,400) |
| Voluntary severance scheme | (3,118) | (1,660) |
| Capital additions | 8,819 | 15,649 |
| Cash at bank and in hand including money market investments | 57,243 | 56,804 |
| Borrowings | 7,383 | 8,025 |
| Total funds (net assets) | 113,545 | 106,490 |
| Cash flow generated from operations | 8,558 | 15,951 |

The Resources Committee receives regular reports from the Director of Finance, providing information on the expected outturn, compared to the budget.

Surplus for the Year

2010-11 has proved to be another very successful year for the University. It is pleasing to be able to report that total income has increased by almost 4% over the previous year. This increase is largely attributable to an increase in tuition fees and education contracts of £8.3 million, including an increase in income from international students of £4.1 million, reflecting the University's financial investment in its international activities over recent years. In view of the economic uncertainties facing the sector, the University is committed to reducing its expenditure whilst maintaining standards. As a result, the University has generated an end-of-year financial surplus of almost £13 million (8.5% of income), reflecting the continuing financial strength of the University and building upon the surpluses achieved in the last few years.

This level of financial performance meets all of the key financial performance indicators within the University's financial strategy.

Meeting these financial targets ensures that the University has access to the financial resources necessary to fund its building programme without resorting to borrowing, and to provide stability in the current economic climate.

Balance Sheet

The consolidated net assets have increased by £7.1 million to £113.5 million in the year. The University is committed to maintaining the strength of its balance sheet, by increasing its capital asset base without incurring new long-term liabilities. In the course of the year, the University invested almost £9 million in addition to fixed assets. Of this amount, £7 million was spent on the completion of the Darlington campus which opened in September 2011. The University received contributions of £1.5 million from Darlington Borough Council and One North East towards the cost of this building.

The University participates in the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS). The TPS is accounted for on a contribution basis, whereas LGPS is accounted for under Financial Reporting Standard (FRS) 17. The FRS 17 accounting has resulted in a charge to the income and expenditure account, over and above the contributions made, of £1.6 million. Actuarial gains and losses are

charged to the Statement of Recognised Gains and Losses. For the year to 31 July 2011, there was an actuarial loss of £5.7 million. These amounts account for the increase in the pension fund deficit to £24.0 million from £16.7 million.

Treasury Management and Cash Flow

The University holds significant cash balances which it invests in money market deposits and AAA-rated liquidity funds. It operates to an agreed counterparty list as set out in the Treasury Management Policy. This list sets out investment limits and minimum ratings requirements for deposit-takers. In view of the current economic climate, the policy continues to be reviewed regularly to ensure that the University minimises the exposure to risk of its funds. Regular reports are taken to the Governors' Resources Committee.

The low base rate has adversely impacted on the interest received from the University's money market deposits, although it has had a positive effect on the interest payable on borrowings.

Cash flow from operations for the year was £8.6 million. After receipts from capital grants of £2.5 million, cash outflows of £9.6 million for capital items, £0.9 million for loan repayments and £10.9 million decrease in money market deposits, the net cash inflow was £11.4 million.

Resources

People

Teesside University continues to recognise that its staff are its most valuable asset and demonstrates this by being committed to providing and enhancing a wide range of initial and continuing development opportunities for all staff groups to enable them to effectively implement the University mission, corporate objectives and core strategies. Following a successful survey of staff last year, a project was undertaken during this year to enhance engagement from manual staff in the University's initiative to obtain feedback from all employees.

Considerable value is also placed on the involvement of employees in decision-making, and on good communication, which includes a regular newsletter for all staff and an official Briefing which is published every month by the Vice-Chancellor. Given the

substantial changes to higher education funding mechanisms announced earlier this year, communication with all staff has been particularly important. Additional public briefings delivered by the Vice-Chancellor have informed staff of the changes facing the sector and Teesside University.

Senior management is committed to maintaining recognition as an Investor in People. During 2010-11, the University has continued to review, further develop, and enhance the support available to staff in preparation for the Investors in People Review in December 2011.

During 2010-11, the focus of the Department for Learning Development has been to work holistically with Schools and Departments to develop and deliver programmes which offer a flexible matrix of support to meet the needs of individuals, teams and the University.

Some of the key achievements were:

- The range of leadership and management programmes aimed at all staff groups was developed and enhanced. 72 staff successfully completed these programmes, including 14 senior managers who completed the Senior Leadership Programme.
- A group of 24 aspiring managers participated in a volunteering event at a local charity, which was an integral part of their Management Programme. They were encouraged to reflect on what they had learned from the day and how they would transfer that back to the workplace.
- 2,300 staff took part in 11 formal skills-based programmes.
- 218 tailored team activities took place within Schools and Departments, including development days, skill-focus sessions and implementation planning events.
- 770 hours of individual one-to-one coaching support were delivered.
- The Staff Development database (version 1) came online on 1 January 2011, and is now available to all staff via the intranet. This has significantly enhanced the evaluation of the impact of learning development activities.

Equal Opportunities

The University is committed to equal opportunities for staff and students, ensuring that individuals are treated fairly and with respect at all times and given equality of opportunity in all activities. A range of training initiatives, policies and procedures demonstrates the University's commitment to ensuring that equality and diversity issues are clearly understood and good practice applied.

Further initiatives have been developed over the last year to raise general awareness of equality and diversity amongst staff and students. In addition to the establishment during 2010-11 of staff and student focus groups for the key diversity strands, a full calendar of events is planned for the new academic year which will run in parallel with national events and campaigns.

Staffing Resources

Following a second voluntary severance scheme in 2010-11, which was taken up by around 70 staff, Schools and Departments have been examining their current staffing structures to ensure that the remaining staffing resources are being deployed effectively to not only maintain existing services but take account of planned growth of activity. A new academic workload model has also been developed to enable more effective and more transparent deployment of academic staff time.

Physical Resources

In the last five years, the University has spent over £50 million on new buildings and improvements to existing buildings. There has also been investment in ICT equipment and resources, with funds being provided both by the University and by HEFCE, through the learning and teaching capital allocations.

Environmental Developments

The University has agreed to monitor its environmental progress through the framework of EcoCampus, an environmental management system specifically designed for the sector, which recognises staged progression towards ISO 14001 registration. The University achieved the first stage (Bronze) in April 2010 and is currently working towards the second stage (Silver) award. The University was also reported in 2011 as having moved up 35 places in the People and Planet Green League. This progress has been achieved through a partnership between the

professional staff in the Estates Division of the Campus Facilities Department and Environmental Representatives from every School and Department.

The wide range of activities undertaken in relation to EcoCampus has been kept under review by the University's Environmental Advisory Group, which, during the year, reviewed and amended a series of environmental Policies and Procedures.

During 2010-11, the first year of the University's ten-year Carbon Reduction Programme, projects included the conversion of the heating of halls of residence from electricity to gas-fired, and the commissioning of a combined heat and power unit (CHP) in the Middlesbrough Tower.

In preparation for the application of the Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES), the University established mini-recycling facilities in the communal corridors of most buildings, created a series of satellite waste stations, and purchased an electric vehicle to transport waste from these satellites to the central compactor.

To enhance the measurement and control of water usage, the University extended the provision for automatic meter reading, thereby facilitating application of the monitoring and targeting system, which was used to increasing effect throughout the year.

Considerable progress was made during 2010-11 towards diversification of the means by which students and staff arrived at the Middlesbrough campus. The Park and Ride scheme was very successful, and Middlesbrough Council agreed to increase the number of car-parking spaces made available to the University in Cannon Park Way. The University facilitated the purchase of bicycles by staff; and two additional cycle centres were provided – adjacent to the Centuria Building and the Students' Union – bringing the total number of secure cycle spaces to 92. To encourage use of public transport, a Travel Information Point was established in the Library, and the University provided a shuttle bus from a new bus-shelter on Southfield Road to Middlesbrough Railway Station. Four electric car-charging points were installed in the Quadrangle Car-Park to support the purchase by staff and students of such vehicles, which became increasingly available in the region during the year.

These initiatives were reflected in the Darlington campus, with the provision of secure cycle spaces, a Travel Information Point, and electric car-charging points.

Key Performance Indicators

The key performance indicators applicable during 2010-11 were based on the University's Institutional Plan for the period 2009-12, which includes a wide range of targets, covering all aspects of the University's operations. In 2009-10, the Board designated a subset of 12 of these targets as the University's key performance indicators. These KPIs cover the areas of:

- student recruitment
- student progression, retention and attainment
- student satisfaction
- graduate destinations
- research activity
- commercial activity.

A revised set of key performance indicators has recently been approved for the period to 2014-15. These include the student retention and completion indicators which are an important part of the University's Access Agreement with the Office for Fair Access (OFFA).

The Board's intention is to set targets which are considered to be stretching but achievable. In general, the University made good progress during 2010-11. For example:

- the average tariff points score of UK students entering full-time degree programmes at Teesside has increased from 224 points in the 2005 entry cohort to 296 points in 2010. (The target is to increase this to 320 points by 2014.)
- the percentage of students gaining first class or upper second class degrees has increased from 44.6% in 2004-05 to 52.8% in 2009-10. (The target is to reach 60% by 2014-15.)
- National Student Survey scores have improved, with the overall satisfaction score for all respondents increasing from 80% in 2006 to 84% in 2009. However, the overall satisfaction score has since fallen back to 82% in 2010 and 2011. (As a result, strategies are being developed, both University-wide and in each of the

University's Schools, to address the causes of this, and to improve the student experience, with a target overall satisfaction score of 89% by 2015.)

Other performance indicators are used by the Board's Resources Committee (key financial indicators) and by the Employment Policy Committee (trends in staffing levels and composition, absences, turnover, recruitment processes and staff qualifications).

Principal Risks and Uncertainties

Significant risks to the University over the coming 12-18 months are regularly assessed, with reference to a risk register. The University has mitigating actions in place to reduce the impact and likelihood of risks, and holds sufficient contingency funds to enable it to respond promptly to unforeseen events.

The University continues to embed risk management practices within its culture, enabling it to respond to new threats and opportunities, and to the potential impact of a small number of significant financial risks.

The Board of Governors has identified the following as major institutional risks:

1. **inadequate responsiveness to reductions in income**
2. **inability to meet HEFCE contract targets, resulting in loss of income, arising from student recruitment problems**
3. **poor graduate employment record, relative to other institutions.**

These areas are detailed below:

1. Inadequate responsiveness to reductions in income

As the scale of public expenditure reductions arising from the Comprehensive Spending Review began to emerge, the Board of Governors identified this as a serious risk facing the University. It applies not only to the funding provided annually by HEFCE, which accounts for almost half of the University's income, but also to the University's teaching provision for the NHS and for police authorities, and to other programmes provided for various public sector bodies. A 37-point action plan was established to review discretionary income and reduce

expenditure in the coming years, in order for the University to remain financially viable in the longer term.

Some of the anticipated reductions in grant income will however be offset by increases in contributions by individual students and income from new student numbers. The University has also reconsidered its original fee and bursary strategy (which formed part of the Access Agreement approved by OFFA in July 2011) in order to bid for places from the margin of 20,000. The new fee strategy provides a graded fee structure for degree programmes, with fees in three bands between £7,450 and £8,450, according to the subject of study, and fees for foundation degrees of £5,500.

It will be necessary to generate new income streams and/or reduce expenditure by around £10 million to meet the financial strategy.

2. Inability to meet HEFCE contract targets, resulting in loss of income, arising from student recruitment problems

This risk has been divided into three distinct segments.

- The first relates to the recruitment of **full-time** UK-based students. This risk has been addressed through a corporate recruitment strategy, which has resulted in improved processes for tracking and managing applications from initial enquiry through to enrolment, improved monitoring of competitor activity, and the appointment of marketing account managers in each School.
- The recruitment of **part-time** students is of particular importance, as they form the majority of the University's students, and account for some 40% of the University's HEFCE teaching funding. Improvements made to the part-time recruitment processes are similar to those for full-time students, but with some additional elements, such as the introduction of a formal application process. An extensive review of the programmes on offer from 2012-13 is being implemented, to ensure that students will be eligible for tuition fee loans under the new funding arrangements.

- **Workforce development (WFD)** programmes, co-funded in partnership with employers, have required a different approach. The emphasis has been on building relationships with employers, or intermediary bodies, and developing programmes which meet a business need. The University obtained funding from HEFCE's Strategic Development Fund, which supported the development of the infrastructure needed to expand WFD activity from start up in 2008-09 to delivering over 750 FTEs in 2010-11. It is a concern, however, that the current co-funding arrangements will cease in 2012-13 and new entrants to these programmes will then be subject to the same funding regime as other part-time students, which could adversely affect this type of provision.

3. Poor graduate employment record, relative to other institutions

This remains a key issue for the University – particularly with the greater focus on the added value of graduate status that arises from increasing fee levels. The University continues to take measures to improve the employability of Teesside graduates. These include:

- enhancing and clarifying responsibilities for and management of employability
- establishing a clearer and more widely shared set of performance indicators and enhancing the robustness of mechanisms to monitor performance
- developing a clear and shared statement detailing the attributes of a Teesside graduate
- developing mechanisms in programme approval and review which focus on employability
- consolidating and extending work around volunteering and mentoring.

But the University remains concerned about the lack of directly relevant graduate opportunities in the Tees Valley area and the need to strengthen the links between employers seeking graduates and graduates seeking employment to avoid the migration of talented individuals out of the region.

Trends and Factors Affecting Future Performance

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

Academic Profile

- Impact of the introduction of variable tuition fees in 2012
- Development of part-time degree programmes
- Changing demands of key industrial sectors
- Delivery of our workforce development strategy
- Demographic trends in the Tees Valley region
- Further development of (and investment in) international markets
- Recruitment of students to the new campus in Darlington
- Identification of key areas of academic expertise that can best support future growth
- Possibilities offered by different modes of study (flexible learning, work-based learning, distance learning)
- Continued significant investment in student retention activities
- Action to embed employability skills in all programmes of study and to deliver a step change in 'employment six months after graduation'
- Introduction of the new academic workload planning model.

External Factors

- Reduction in government funding of higher education, the NHS and other public bodies
- Possible impact on student demand for higher education in 2012 as a result of rising tuition fees
- Competition from other providers of higher education,
- Funding of public sector pension schemes, and phasing out of a 'default' retirement age
- Changes in research funding, likely to involve greater concentration of government funding.
- Changes to UKBA regulations and political instability affecting international student recruitment.

Corporate Activity to Maintain Financial Stability

- Prioritise financial stability, which will allow us to make considered responses
- Extensive scenario planning
- Streamlining of systems and processes to improve operating efficiency
- Implementation of major cost reduction programmes
- Increase recruitment of students who are outside the student number controls
- Continue to work closely with our HEBP partners, and investigate strategic partnerships with private providers
- Focus on expanding services which are not dependent on public sector support (for example, consultancy and commercial research)
- Delivery of the 37-point action plan for responding to funding reductions.

Conclusions

The University's academic activities, together with factors likely to affect its future development, performance and position, are set out in this Operating and Financial Review.

The Board of Governors believes that the University has the strong governance and leadership necessary to take it into the period of significant change in higher education, and is well placed to manage the risks successfully and cope with the challenges ahead. Like many higher education institutions, Teesside faces considerable external uncertainties, but it will continue to seek opportunities to expand and diversify to ensure survival and continued success.

The Board of Governors has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Governors continue to adopt the 'going concern' basis in preparing the annual report and accounts.



Chair of Governors



Vice-Chancellor

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 May 2010. Its purpose is to help the reader of these accounts to understand how the principles have been applied.

The University follows the Governance Code of Practice contained in the Guide for Members of Higher Education Governing Bodies in the UK which was issued by the Committee of University Chairs in March 2009.

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. 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 University's Board of Governors comprises up to 17 lay persons appointed under the University's Instrument and Articles of Government, four representatives of staff and students and the University's Chief Executive, the Vice-Chancellor. The role of Chair of the Board of Governors is separated from the role of the University's Chief Executive, the Vice-Chancellor. The Board of Governors is ultimately responsible for all activities of the University. By the Instrument and Articles of Government, and under the Financial Memorandum with HEFCE, the Board of Governors is responsible for the ongoing strategic direction of the University, approval of major developments, and the receipt of regular reports from the Vice-Chancellor and the Board's committees on the operations of its business and its subsidiary companies. The Board of Governors meets approximately six times a year, and has several committees, including a Resources Committee, a Nomination Committee, a Remuneration Committee, an Audit Committee and an Employment Policy Committee. All of these committees are formally constituted with terms of reference and comprise mainly lay members of the Board of Governors.

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

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

The Nomination Committee considers nominations for vacancies on the Board.

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

The Audit Committee meets at least three times a year. It is responsible for meeting with the external auditors to discuss audit findings, and with the internal auditors to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. The members of this Committee also receive and consider reports from HEFCE as they affect the University's business and monitor adherence with the regulatory requirements. They review the University's annual financial statements in the context of the approved accounting policies. While senior executives attend meetings of the Audit Committee, they are not members of the Committee and, from time to time, the Committee meets with the external auditors or the internal auditors on their own for independent discussions.

Responsibilities of the Board of Governors

In accordance with the University's Instrument and Articles of Government, the Board of Governors is ultimately responsible for the management of the affairs of the University, including ensuring an effective system of financial control.

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

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

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

basis continues to be adopted in the preparation of the *Financial Statements*.

The Board of Governors has taken reasonable steps to:

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

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

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

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

Statement of Internal Control

The Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible in accordance with the responsibilities assigned to the governing body in the University's Instrument and Articles of Government and the Financial Memorandum with 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 HEFCE guidance, has been in place for the year ended 31 July 2011 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 University's risk management strategy and ensuring that there is a sound approach to confirm that this strategy 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 Assessment Framework is in place which forms the basis of detailed risk identification and management
- a Risk Management Committee led by the Vice-Chancellor and reporting to the University's Corporate Executive Team oversees risk management across the University
- the University has a formal and structured Risk Management Policy to ensure that key risks are identified and managed consistently across the University
- the Risk Management Policy is reviewed on a regular basis
- a corporate risk register is in place and is reviewed at least annually
- the corporate risk register is supported by risk management statements in the development plans of each School and department, covering both corporate and operational risks
- responsibility for monitoring each key risk has been assigned to senior officers of the University with the Deputy University Secretary having day-to-day responsibility for risk management within the University
- the Audit Committee receives regular reports from the internal auditors which include an independent opinion on the adequacy and effectiveness of the University's risk management, governance, internal control and arrangements to provide value for money, together with recommendations from the internal auditors for improvement and
- the Board of Governors receives regular reports from the Chair of the Audit Committee concerning internal control and it requires regular reports from senior managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects.

Independent Auditor's Report to the Board of Governors of Teesside University

We have audited the financial statements of Teesside University for the year ended 31 July 2011 which comprise the consolidated income and expenditure account, the consolidated and University balance sheets, the consolidated cash flow statement, the consolidated statement of historical cost surpluses and deficits, the consolidated statement of total recognised gains and losses and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Board of Governors in accordance with the financial memorandum effective August 2010. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board of Governors and Auditor

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 University's affairs as at 31 July 2011 and of its surplus for the year then ended and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion:

- in all material respects, income from the Funding Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2011 have been applied for the purposes for which they were received and
- in all material respects, income during the year ended 31 July 2011 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum, with the Funding Council.

Matter on Which We are Required to Report by Exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the University.



Deloitte LLP
 CHARTERED ACCOUNTANTS AND
 STATUTORY AUDITOR
 Leeds, England
 30 November 2011

Statement of Principal Accounting Policies

Basis of Preparation

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

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

Basis of Consolidation

The consolidated *Financial Statements* include the University, its subsidiary undertakings and the Friends of the University of Teesside Trust for the financial year to 31 July 2011. Intra-group transactions are eliminated on consolidation.

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

Income Recognition

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

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

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

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes.

Donations which are to be retained for the benefit of the University are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

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

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

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

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

Agency Arrangements

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

Leases and Hire Purchase Contracts

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

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

Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Taxes Act 2010 (CTA 2010) (formerly enacted in section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or section 256 of the Taxation of Chargeable Gains Act to the extent that such income or gains are applied to exclusively charitable purposes.

All UK subsidiary companies are liable to corporation tax and value added tax in the same way as any other commercial organisation.

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

Land and Buildings

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

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

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

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other directly attributable costs incurred to 31 July 2011.

Depreciation

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

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

Acquisition with the Aid of Specific Grants

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

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

Repairs and Maintenance

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

Equipment and Furniture

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

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

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the policy set out above, with the related grant credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

Investments

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

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

Stock

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

Cash Flows and Liquid Resources

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

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

Intra-group Transactions

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

Accounting for Charitable Donations

Unrestricted Donations

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

Endowment Funds

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

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

Accounting for Retirement Benefits

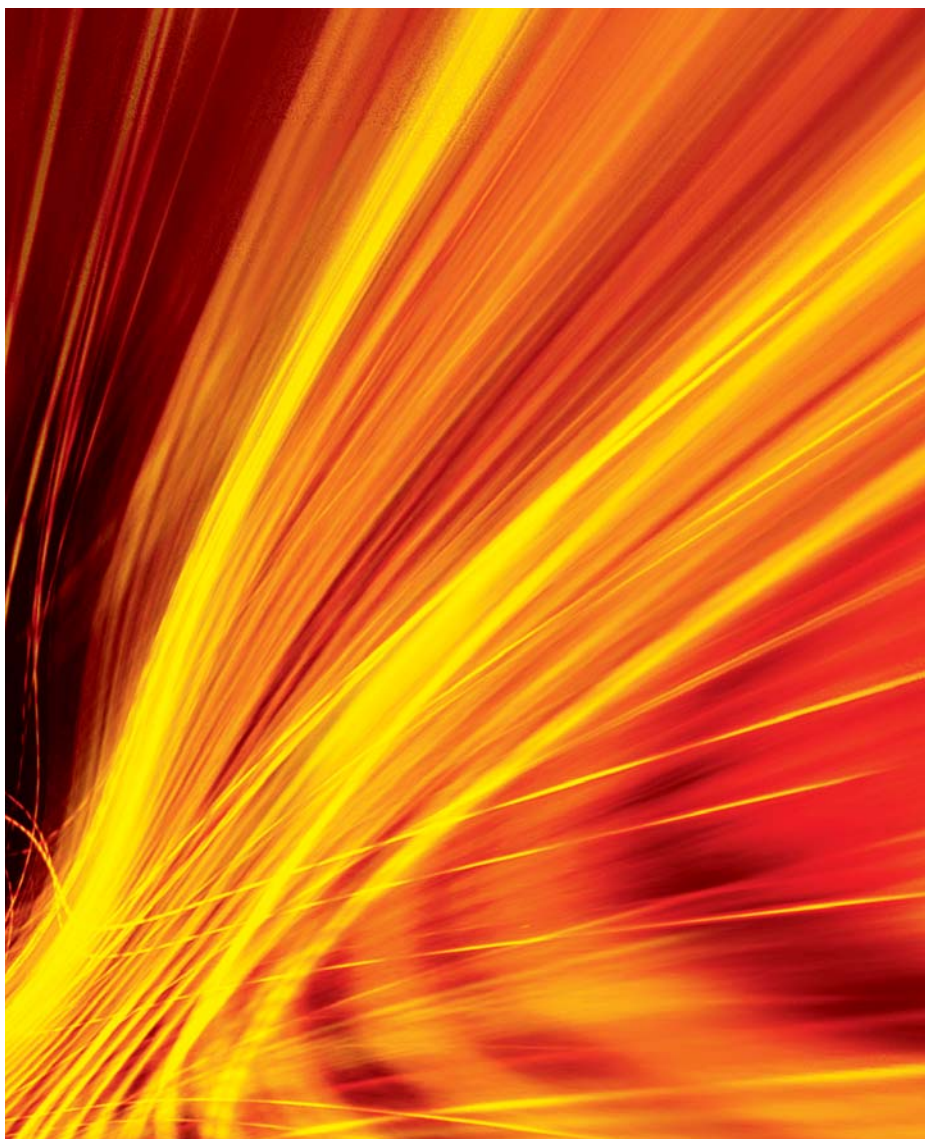
The University contributes to the Universities Superannuation Scheme (USS), the Local Government Superannuation Scheme (LGPS) and the Teachers' Pension Scheme (TPS). All schemes are defined benefit schemes which are contracted out of the Second State Pension (S2P).

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

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

Provisions

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



Consolidated Income and Expenditure Account

| | Note | Year ended 31 July 2011 £000 | Year ended 31 July 2010 £000 |
|--|------|------------------------------------|------------------------------------|
| Income | | | |
| Funding body grants | 1 | 61,157 | 62,943 |
| Tuition fees and education contracts | 2 | 67,254 | 59,003 |
| Research grants and contracts | 3 | 2,849 | 3,168 |
| Other income | 4 | 14,876 | 15,874 |
| Endowment and investment income | 5 | 543 | 334 |
| Total Income | | 146,679 | 141,322 |
| Expenditure | | | |
| Staff costs | 6 | 79,679 | 77,507 |
| Other operating expenses | | 48,887 | 50,362 |
| Depreciation | 11 | 5,076 | 4,914 |
| Interest and other finance costs | 7 | 462 | 1,551 |
| Total Expenditure | 8 | 134,104 | 134,334 |
| Surplus on continuing operations after depreciation of assets at valuation before and after tax | | 12,575 | 6,988 |
| Surplus for the year transferred to accumulated income in endowment funds | | (3) | (1) |
| Surplus for the year retained within general reserves | 22 | 12,572 | 6,987 |

All items of Income and Expenditure arise from continuing operations.

Statement of Group Historical Cost Surpluses and Deficits

| | Note | Year ended 31 July 2011 £000 | Year ended 31 July 2010 £000 |
|--|------|------------------------------------|------------------------------------|
| Surplus on continuing operations after depreciation of assets at valuation, before and after tax | | 12,575 | 6,988 |
| Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount | 22 | 725 | 705 |
| Historical cost surplus for the year before and after tax | | 13,300 | 7,693 |

Statement of Group Total Recognised Gains and Losses

| | Note | Year ended 31 July 2011 £000 | Year ended 31 July 2010 £000 |
|--|------|---|------------------------------------|
| Surplus on continuing operations after depreciation of assets at valuation, before and after tax | | 12,575 | 6,988 |
| Appreciation of endowment assets | 21 | 11 | 13 |
| Actuarial (loss)/gain in respect of pension scheme | 29 | (5,663) | 13,927 |
| Total recognised gains relating to the year | | 6,923 | 20,928 |
| Reconciliation | | | |
| Opening reserves and endowments | | 87,878 | 66,950 |
| Total recognised gains for the year | | 6,923 | 20,928 |
| Closing reserves and endowments | | 94,801 | 87,878 |

Balance Sheets as at 31 July 2011

| | Note | Consolidated | | University | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Fixed assets | | | | | |
| Tangible assets | 11 | 110,983 | 107,240 | 111,227 | 107,484 |
| Investments | 12 | 30 | 30 | 59 | 35 |
| | | <u>111,013</u> | <u>107,270</u> | <u>111,286</u> | <u>107,519</u> |
| Endowment assets | 13 | <u>207</u> | <u>193</u> | <u>207</u> | <u>193</u> |
| Current assets | | | | | |
| Stock | | 42 | 34 | 38 | 34 |
| Debtors | 14 | 9,617 | 11,214 | 12,364 | 13,222 |
| Investments | 15 | 33,048 | 43,996 | 33,048 | 43,996 |
| Cash at bank and in hand | | 24,195 | 12,808 | 23,065 | 12,375 |
| | | <u>66,902</u> | <u>68,052</u> | <u>68,515</u> | <u>69,627</u> |
| Less: creditors – amounts falling due within one year | 16 | <u>(25,326)</u> | <u>(27,767)</u> | <u>(27,569)</u> | <u>(30,132)</u> |
| Net current assets | | <u>41,576</u> | <u>40,285</u> | <u>40,946</u> | <u>39,495</u> |
| Total assets less current liabilities | | <u>152,796</u> | <u>147,748</u> | <u>152,439</u> | <u>147,207</u> |
| Less: creditors – amounts falling due after more than one year | 17 | <u>(9,905)</u> | <u>(10,832)</u> | <u>(9,905)</u> | <u>(10,832)</u> |
| Less: provisions for liabilities | 19 | <u>(5,386)</u> | <u>(13,746)</u> | <u>(5,386)</u> | <u>(13,746)</u> |
| Total net assets excluding pension liability | | <u>137,505</u> | <u>123,170</u> | <u>137,148</u> | <u>122,629</u> |
| Net pension liability | 29 | <u>(23,960)</u> | <u>(16,680)</u> | <u>(23,960)</u> | <u>(16,680)</u> |
| Total net assets including pension liability | | <u>113,545</u> | <u>106,490</u> | <u>113,188</u> | <u>105,949</u> |

Balance Sheets as at 31 July continued

| | Note | Consolidated | | University | |
|---|------|--------------|--------------|--------------|--------------|
| | | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Deferred capital grants | 20 | 18,744 | 18,612 | 18,744 | 18,612 |
| Endowments | | | | | |
| Expendable | | 42 | 42 | 42 | 42 |
| Permanent | | 165 | 151 | 165 | 151 |
| | 21 | 207 | 193 | 207 | 193 |
| Reserves | | | | | |
| Income and Expenditure account excluding pension reserve | | 98,997 | 84,083 | 98,640 | 83,542 |
| Pension reserve | 29 | (23,960) | (16,680) | (23,960) | (16,680) |
| Income and Expenditure account including pension reserve | 22 | 75,037 | 67,403 | 74,680 | 66,862 |
| Revaluation reserve | 23 | 19,557 | 20,282 | 19,557 | 20,282 |
| Total reserves | | 94,594 | 87,685 | 94,237 | 87,144 |
| Total funds | | 113,545 | 106,490 | 113,188 | 105,949 |

The *Financial Statements* on pages 20 to 49 were approved by the Board of Governors on 18 November 2011 and were signed on its behalf by:



Chair of Governors



Vice-Chancellor

Consolidated Cash Flow Statement

| | Note | Year ended 31 July 2011 £000 | Year ended 31 July 2010 £000 |
|---|------|------------------------------------|------------------------------------|
| Net cash inflow from operating activities | 24 | 8,558 | 15,951 |
| Returns on investments and servicing of finance | 25 | (100) | (131) |
| Capital expenditure and financial investment | 25 | (7,140) | (14,155) |
| Management of liquid resources | 25 | 10,948 | (818) |
| Financing | 25 | (876) | (831) |
| Increase in cash in the year | | 11,390 | 16 |
| Reconciliation of net cash flow to movement in net funds | | | |
| Increase in cash in the year | | 11,390 | 16 |
| Change in short-term deposits | | (10,948) | 818 |
| Change in debt | | 876 | 831 |
| Change in net funds | | 1,318 | 1,665 |
| Net funds at 1 August | | 45,171 | 43,506 |
| Net funds at 31 July | 26 | 46,489 | 45,171 |

Notes to the Financial Statements, Year Ended 31 July 2011

1 FUNDING BODY GRANTS

| | 2011 | 2010 |
|---|---------------|---------------|
| | £000 | £000 |
| Recurrent grants | | |
| Higher Education Funding Council | 50,747 | 54,051 |
| Training and Development Agency | 55 | 48 |
| Specific grants | | |
| Higher Education Innovation Fund | 1,684 | 1,238 |
| Research Capital Investment Fund | 307 | 5 |
| Teaching Capital Investment Fund | 3,208 | 2,265 |
| Strategic Development Fund | 1,615 | 1,931 |
| Teaching Quality Enhancement Fund | 519 | – |
| Access and Widening Participation | 796 | 883 |
| Joint Information Systems Committee Fund | 87 | 54 |
| Pathfinder | 52 | 92 |
| CETL | 1 | 176 |
| Economic Challenge Investment Fund | 131 | 237 |
| Graduate Internships | 194 | 145 |
| National Teaching Fellowships | 14 | 25 |
| Other | 61 | 59 |
| Deferred capital grants released in year | | |
| Buildings (note 20) | 200 | 200 |
| Equipment (note 20) | 1,486 | 1,534 |
| | <u>61,157</u> | <u>62,943</u> |

2 TUITION FEES AND EDUCATION CONTRACTS

| | 2011 | 2010 |
|----------------------------------|---------------|---------------|
| | £000 | £000 |
| Full-time home and EU students | 24,653 | 22,468 |
| Full-time international students | 15,311 | 11,175 |
| Part-time students | 6,169 | 5,700 |
| Education contracts | 21,121 | 19,660 |
| | <u>67,254</u> | <u>59,003</u> |

3 RESEARCH GRANTS AND CONTRACTS

| | 2011 | 2010 |
|----------------------------|--------------|--------------|
| | £000 | £000 |
| Research Councils | 551 | 238 |
| UK-based charities | 497 | 563 |
| UK central government | 189 | 239 |
| UK Health Service | 668 | 612 |
| European Commission | 806 | 1,397 |
| Other grants and contracts | 138 | 119 |
| | <u>2,849</u> | <u>3,168</u> |

4 OTHER INCOME

| | 2011 | 2010 |
|--|---------------|---------------|
| | £000 | £000 |
| Residences, catering and conferences | 3,954 | 3,288 |
| Other income-generating activities | 1,570 | 1,598 |
| Other grant income | 5,042 | 6,561 |
| Release from deferred capital grants (note 20) | 395 | 392 |
| Other income | 3,915 | 4,035 |
| | <u>14,876</u> | <u>15,874</u> |

5 ENDOWMENT AND INVESTMENT INCOME

| | 2011 | 2010 |
|--|-------------|------------|
| | £000 | £000 |
| Income from permanent endowments (note 21) | 6 | 6 |
| Income from short-term investments | 528 | 328 |
| Pension finance return | 9 | – |
| | <u>543</u> | <u>334</u> |

6 STAFF

| | 2011 | 2010 |
|---|---------------|--------|
| | £000 | £000 |
| Staff costs | | |
| Wages and salaries | 61,890 | 61,793 |
| Social security costs | 4,894 | 4,824 |
| Other pension costs (note 29) | 9,380 | 8,924 |
| Increase in the provision for enhanced pensions (note 19) | 397 | 306 |
| Restructuring costs | 3,118 | 1,660 |
| | 79,679 | 77,507 |

Emoluments of the Vice-Chancellor

| | £ | £ |
|---|----------------|---------|
| Salary | 229,067 | 227,654 |
| Benefits in kind | 16,379 | 13,178 |
| | 245,446 | 240,832 |
| Pension costs (on the same basis as for other academic staff) | 31,241 | 29,984 |
| | 276,687 | 270,816 |

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

| | 2011 | 2010 |
|---------------------|---------------|--------|
| | number | number |
| £100,000 - £109,999 | 1 | 2 |
| £110,000 - £119,999 | 1 | 3 |
| £120,000 - £129,999 | 3 | – |

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

| | | |
|------------------------------|--------------|-------|
| Academic | 682 | 697 |
| Administrative and technical | 831 | 831 |
| Other | 204 | 202 |
| | 1,717 | 1,730 |

7 INTEREST AND OTHER FINANCE COSTS

| | 2011 | 2010 |
|---|-------------|--------------|
| | £000 | £000 |
| Bank loans not wholly repayable within five years | 60 | 66 |
| Finance leases | 402 | 425 |
| Pension finance cost | – | 1,060 |
| | <u>462</u> | <u>1,551</u> |

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

| | 2011 | 2010 |
|--------------------------------------|----------------|----------------|
| | £000 | £000 |
| Academic departments | 70,242 | 70,873 |
| Academic services | 14,108 | 14,164 |
| Research grants and contracts | 2,596 | 2,820 |
| Residences, catering and conferences | 3,573 | 2,991 |
| Premises | 12,140 | 12,028 |
| Administration | 19,798 | 19,611 |
| Other | 11,647 | 11,847 |
| | <u>134,104</u> | <u>134,334</u> |

Other operating expenses include

| | | |
|--|-------------------|-------------------|
| External auditor's remuneration in respect of audit services | 48 | 39 |
| External auditor's remuneration in respect of non-audit services | 4 | 17 |
| Operating lease rentals | | |
| Land and buildings | 880 | 582 |
| Equipment | 112 | 158 |
| | <u> </u> | <u> </u> |

9 SURPLUS ATTRIBUTABLE TO PARENT UNDERTAKING

The surplus dealt with in the accounts of the parent undertaking was £12,756,000 (2010: £6,998,000).

10 INTANGIBLE FIXED ASSETS – GOODWILL

| | Consolidated and University £000 |
|----------------------------------|---|
| Cost | |
| At 31 July 2011 and 31 July 2010 | 270 |
| Amortisation | |
| At 31 July 2011 and 31 July 2010 | 270 |
| Net Book Value | |
| At 31 July 2011 and 31 July 2010 | – |

11 TANGIBLE FIXED ASSETS

| | Freehold land and buildings | Assets in the course of construction | Vehicles | Equipment and furniture | Total |
|---|--|---|-----------------|--|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Consolidated Cost/Valuation | | | | | |
| At 1 August 2010 | 115,522 | 16,622 | 128 | 19,698 | 151,970 |
| Additions in year | 288 | 7,035 | 31 | 1,465 | 8,819 |
| Transfers in year | 13,140 | (13,140) | – | – | – |
| Disposals in year | – | – | (22) | – | (22) |
| Written off in year | – | – | – | (793) | (793) |
| At 31 July 2011 | 128,950 | 10,517 | 137 | 20,370 | 159,974 |
| Depreciation | | | | | |
| At 1 August 2010 | 28,412 | – | 72 | 16,246 | 44,730 |
| Charge for year | 3,212 | – | 26 | 1,838 | 5,076 |
| Disposals in year | – | – | (22) | – | (22) |
| Written off in year | – | – | – | (793) | (793) |
| At 31 July 2011 | 31,624 | – | 76 | 17,291 | 48,991 |
| Net Book Value At 31 July 2011 | 97,326 | 10,517 | 61 | 3,079 | 110,983 |
| At 31 July 2010 | 87,110 | 16,622 | 56 | 3,452 | 107,240 |

11 TANGIBLE FIXED ASSETS continued

| | Freehold land and buildings | Assets in the course of construction | Vehicles | Equipment and furniture | Total |
|---|--|---|-----------------|--|----------------|
| University | £000 | £000 | £000 | £000 | £000 |
| Cost/Valuation | | | | | |
| At 1 August 2010 | 115,885 | 16,622 | 128 | 18,344 | 150,979 |
| Additions in year | 288 | 7,035 | 31 | 1,465 | 8,819 |
| Transfers in year | 13,140 | (13,140) | – | – | – |
| Disposals in year | – | – | (22) | – | (22) |
| Written off in year | – | – | – | (793) | (793) |
| At 31 July 2011 | 129,313 | 10,517 | 137 | 19,016 | 158,983 |
| Depreciation | | | | | |
| At 1 August 2010 | 28,412 | – | 72 | 15,011 | 43,495 |
| Charge for year | 3,212 | – | 26 | 1,838 | 5,076 |
| Disposals in year | – | – | (22) | – | (22) |
| Written off in year | – | – | – | (793) | (793) |
| At 31 July 2011 | 31,624 | – | 76 | 16,056 | 47,756 |
| Net Book Value At 31 July 2011 | 97,689 | 10,517 | 61 | 2,960 | 111,227 |
| At 31 July 2010 | 87,473 | 16,622 | 56 | 3,333 | 107,484 |

FRS 15 Tangible Fixed Assets: the transitional rules set out in FRS 15 have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

11 TANGIBLE FIXED ASSETS continued

At 31 July 2011 the net book value of freehold land and buildings, for the group and the University, includes £946,000 (2010: £1,120,000) in respect of assets held under finance leases. The depreciation charge for the year on these assets was £174,000 (2010: £174,000).

Analysis of cost or valuation

| | Freehold land and buildings | Assets in the course of construction | Vehicles | Equipment and furniture | Total |
|-----------------------------|-----------------------------------|---|------------|-------------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Consolidated | | | | | |
| 1997 Professional Valuation | 48,167 | – | – | – | 48,167 |
| 1997 University Valuation | 645 | – | – | – | 645 |
| 1998 University Valuation | 1,999 | – | – | – | 1,999 |
| Cost | 78,139 | 10,517 | 137 | 20,370 | 109,163 |
| At 31 July 2011 | 128,950 | 10,517 | 137 | 20,370 | 159,974 |
| University | | | | | |
| 1997 Professional Valuation | 48,167 | – | – | – | 48,167 |
| 1997 University Valuation | 645 | – | – | – | 645 |
| 1998 University Valuation | 1,999 | – | – | – | 1,999 |
| Cost | 78,502 | 10,517 | 137 | 19,016 | 108,172 |
| At 31 July 2011 | 129,313 | 10,517 | 137 | 19,016 | 158,983 |

Asset revaluations

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

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

| | Consolidated | | University | |
|---|---------------|---------------|---------------|---------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Cost | 103,608 | 90,180 | 103,912 | 90,484 |
| Accumulated depreciation and impairment | (25,834) | (23,347) | (25,834) | (23,347) |
| Net book value | 77,774 | 66,833 | 78,078 | 67,137 |

12 FIXED ASSET INVESTMENTS

| | Other Investments £000 | | |
|----------------------------------|---------------------------------------|---|-----------------------|
| Consolidated | | | |
| Cost | | | |
| At 31 July 2011 and 31 July 2010 | 30 | | |
| | ----- | | |
| | Other Investments £000 | Subsidiary Undertakings £000 | Total £000 |
| University | | | |
| Cost | | | |
| At 31 July 2010 | 30 | 5 | 35 |
| Additions in year | – | 24 | 24 |
| | ----- | ----- | ----- |
| At 31 July 2011 | 30 | 29 | 59 |
| | ----- | ----- | ----- |

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

| Subsidiary Undertaking | Nature of Business | Shareholding |
|---|--|---|
| University of Teesside Enterprises Limited (Registered in England and Wales) | Commercial activities, enterprise, trading and liaison with industry and commerce. | Limited by guarantee |
| Teesnap Limited (Registered in England and Wales) | To provide and promote educational and training services relating to nursing, midwifery and associated professions and/or professions allied to medicine and to provide management services related to the aforementioned. | 100% Ordinary Shares (Issued share capital – £100) |
| Teesdent Limited (Registered in England and Wales) | Provision of primary dental care | 100% Ordinary Shares (Issued share capital – £1) |
| Teesside (Beijing) Education Consulting Co Ltd (Wholly foreign-owned enterprise of the People's Republic of China) | Provision of consultation services and foreign communication and exchange in relation to education. | 100% registered capital (Registered capital RMB 300,000) |

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

13 ENDOWMENT ASSETS**Consolidated
and University
£000**

| | |
|--|-----|
| At 1 August 2010 | 193 |
| Increase in market value of investments | 11 |
| Increase in cash balances held for endowment funds | 3 |

At 31 July 2011**207**

| | |
|---|--------------------------------------|
| Valuation at 31 July 2011 £000 | Valuation at 31 July 2010 £000 |
|---|--------------------------------------|

| | | |
|-----------------------|-----|-----|
| Fixed interest stocks | 5 | 5 |
| Equities | 124 | 113 |
| Bank balances | 78 | 75 |

Total endowment asset investments**207** 193**Fixed interest stocks and equities at cost****132** 99**14 DEBTORS**

| | Consolidated | | University | |
|--|----------------------|--------------|----------------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Debtors | 5,199 | 6,942 | 5,125 | 6,741 |
| Prepayments and accrued income | 4,418 | 4,272 | 4,390 | 4,220 |
| Amounts due from subsidiary undertakings | – | – | 2,849 | 2,261 |
| | 9,617 | 11,214 | 12,364 | 13,222 |

15 INVESTMENTS

| | Consolidated and University | Consolidated and University |
|---------------------------------------|--|--|
| | 2011 | 2010 |
| | £000 | £000 |
| UK Government Treasury Bills | – | 9,996 |
| Deposits maturing in one year or less | 33,048 | 34,000 |
| | <hr/> 33,048 <hr/> | <hr/> 43,996 <hr/> |

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

At 31 July 2011 the weighted average interest rate of these fixed rate deposits was 1.07% and the remaining weighted average period for which the interest rate is fixed on these deposits was 89 days. The fair value of these deposits was not materially different from the book value.

16 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Consolidated | | University | |
|--|---------------------------|--------------------|---------------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| Mortgages and unsecured loans | 642 | 642 | 642 | 642 |
| Obligations under finance leases | 285 | 234 | 285 | 234 |
| Payments received on account | 6,116 | 11,044 | 4,983 | 8,852 |
| Creditors | 6,981 | 5,933 | 6,922 | 5,920 |
| Social security and other taxation payable | 1,584 | 2,111 | 1,584 | 2,101 |
| Accruals and deferred income | 9,718 | 7,803 | 9,662 | 7,783 |
| Amounts due to subsidiary undertakings | – | – | 3,491 | 4,600 |
| | <hr/> 25,326 <hr/> | <hr/> 27,767 <hr/> | <hr/> 27,569 <hr/> | <hr/> 30,132 <hr/> |

17 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Consolidated | | University | |
|---|--------------------------|--------------------|--------------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | £000 | £000 | £000 | £000 |
| Loans secured on residential and other property repayable by 2022 | 6,741 | 7,383 | 6,741 | 7,383 |
| Obligations under finance leases (note 18) | 3,164 | 3,449 | 3,164 | 3,449 |
| | <hr/> 9,905 <hr/> | <hr/> 10,832 <hr/> | <hr/> 9,905 <hr/> | <hr/> 10,832 <hr/> |

18 BORROWINGS**a Bank loans and overdrafts**

| | Consolidated and University | Consolidated and University |
|--|--|--|
| | 2011 | 2010 |
| | £000 | £000 |
| Bank loans and overdrafts are repayable as follows: | | |
| Within one year | 642 | 642 |
| Between one and two years | 642 | 642 |
| Between two and five years | 1,926 | 1,926 |
| In five years or more | 4,173 | 4,815 |
| | <hr/> 7,383 | <hr/> 8,025 |

Bank loans include mortgages at 0.25% above Bank of England Base Rate and 0.3% above LIBOR, repayable by instalments and secured on freehold properties of the University.

b Finance leases

| | Consolidated and University | Consolidated and University |
|--|--|--|
| | 2011 | 2010 |
| | £000 | £000 |
| The net finance lease obligations to which the University is committed are: | | |
| Within one year | 285 | 234 |
| Between one and two years | 343 | 285 |
| Between two and five years | 1,459 | 1,235 |
| In five years or more | 1,362 | 1,929 |
| | <hr/> 3,449 | <hr/> 3,683 |

The finance leases relate to academic and student accommodation.

19 PROVISIONS FOR LIABILITIES

| Consolidated and University | Enhanced pensions £000 | HEFCE grant adjustment £000 | Total £000 |
|------------------------------------|-----------------------------------|--|-----------------------|
| At 1 August 2010 | 5,346 | 8,400 | 13,746 |
| Increase | 397 | 221 | 618 |
| Utilised in year | (357) | (8,621) | (8,978) |
| At 31 July 2011 | 5,386 | – | 5,386 |

Enhanced pensions

The pension provision is in respect of pension enhancements payable to staff who have taken early retirement. The assumptions for calculating this provision are as follows:

| | 31 July 2011 | 31 July 2010 |
|---------------|---------------------|--------------|
| Discount rate | 3.9% | 4.4% |
| Inflation | 2.6% | 2.6% |

HEFCE grant adjustment

The HEFCE grant adjustment related to the outcome of an audit of the University's 2009-10 Higher Education Early Statistics Survey and a reconciliation of the two 2008-09 student data returns. HEFCE has recovered the overpayments during 31 July 2011 and no further payments are due.

20 DEFERRED CAPITAL GRANTS

| Consolidated and University | HEFCE £000 | Other Grants £000 | Total £000 |
|------------------------------------|-----------------------|------------------------------|-----------------------|
| At 1 August 2010 | | | |
| Buildings | 5,494 | 10,294 | 15,788 |
| Equipment | 1,920 | 904 | 2,824 |
| Total | 7,414 | 11,198 | 18,612 |
| Cash received and receivable | | | |
| Buildings | – | 919 | 919 |
| Equipment | 1,167 | 127 | 1,294 |
| Total | 1,167 | 1,046 | 2,213 |

20 DEFERRED CAPITAL GRANTS continued

| Consolidated and University | HEFCE £000 | Other Grants £000 | Total £000 |
|--|-----------------------|------------------------------|-----------------------|
| Released to Income and Expenditure Account | | | |
| Buildings (notes 1 and 4) | 200 | 281 | 481 |
| Equipment (notes 1 and 4) | 1,486 | 114 | 1,600 |
| Total | 1,686 | 395 | 2,081 |
| At 31 July 2011 | | | |
| Buildings | 5,294 | 10,932 | 16,226 |
| Equipment | 1,601 | 917 | 2,518 |
| Total | 6,895 | 11,849 | 18,744 |

21 ENDOWMENTS

| Consolidated and University | Restricted Expendable £000 | Restricted Permanent £000 | 2011 Total £000 | 2010 Total £000 |
|---|---|--|--------------------------------|--------------------------------|
| At 1 August 2010 | | | | |
| Capital | 39 | 47 | 86 | 74 |
| Accumulated income | 3 | 104 | 107 | 105 |
| | <u>42</u> | <u>151</u> | <u>193</u> | <u>179</u> |
| Investment income | 1 | 5 | 6 | 6 |
| Expenditure | (1) | (2) | (3) | (5) |
| | <u>-</u> | <u>3</u> | <u>3</u> | <u>1</u> |
| Increase in market value of investments | - | 11 | 11 | 13 |
| At 31 July 2011 | 42 | 165 | 207 | 193 |
| Represented by | | | | |
| Capital | 39 | 58 | 97 | 86 |
| Accumulated income | 3 | 107 | 110 | 107 |
| | <u>42</u> | <u>165</u> | <u>207</u> | <u>193</u> |

22 INCOME AND EXPENDITURE ACCOUNT

| | Consolidated £000 | University £000 |
|---|------------------------------|----------------------------|
| At 1 August 2010 | 67,403 | 66,862 |
| Surplus retained for the year | 12,572 | 12,756 |
| Transfer from revaluation reserve | 725 | 725 |
| Actuarial loss in respect of pension scheme | (5,663) | (5,663) |
| At 31 July 2011 | 75,037 | 74,680 |

23 REVALUATION RESERVE

| | Consolidated and University £000 |
|--|---|
| At 1 August 2010 | 20,282 |
| Transfer to Income and Expenditure Account | (725) |
| At 31 July 2011 | 19,557 |

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

24 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2011 £000 | 2010 £000 |
|--|----------------------|--------------|
| Surplus after depreciation of assets at valuation and before tax | 12,575 | 6,988 |
| Depreciation | 5,076 | 4,914 |
| Deferred capital grants released to income | (2,081) | (2,126) |
| Investment income | (534) | (334) |
| Interest payable | 462 | 491 |
| Profit on sale of fixed assets | (1) | (4) |
| Pensions cost less contributions payable | 1,617 | 2,319 |
| Increase in stocks | (8) | – |
| Decrease/(increase) in debtors | 1,362 | (3,698) |
| Decrease in creditors | (1,550) | (947) |
| (Decrease)/increase in provisions | (8,360) | 8,348 |
| Net cash inflow from operating activities | 8,558 | 15,951 |

25 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | 2011 | 2010 |
|--|----------------|-----------------|
| | £000 | £000 |
| Returns on investments and servicing of finance | | |
| Income from endowments | 6 | 6 |
| Interest received | 357 | 356 |
| Interest element of finance lease rental payments | (402) | (425) |
| Other interest paid | (61) | (68) |
| | <u>(100)</u> | <u>(131)</u> |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (9,634) | (16,086) |
| Endowment funds invested | (14) | (35) |
| Sale of tangible fixed assets | 1 | 22 |
| Sale of endowment asset investments | 14 | 31 |
| Deferred capital grants received | 2,493 | 1,913 |
| | <u>(7,140)</u> | <u>(14,155)</u> |
| Management of liquid resources | | |
| Net movement in short-term deposits | 10,948 | (818) |
| Financing | | |
| Repayment of bank loan | (642) | (642) |
| Repayment of finance lease | (234) | (189) |
| | <u>(876)</u> | <u>(831)</u> |

26 ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 August 2010 £000 | Cash Flows £000 | Other Non-cash Changes £000 | At 31 July 2011 £000 |
|---------------------------------|-----------------------------|-----------------------|--------------------------------------|----------------------------|
| Cash at bank and in hand | | | | |
| Endowment assets | 75 | 3 | – | 78 |
| Other | 12,808 | 11,387 | – | 24,195 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 12,883 | 11,390 | – | 24,273 |
| Short-term deposits | 43,996 | (10,948) | – | 33,048 |
| Debt due within 1 year | (642) | 642 | (642) | (642) |
| Debt due after 1 year | (7,383) | – | 642 | (6,741) |
| Finance leases | (3,683) | 234 | – | (3,449) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 45,171 | 1,318 | – | 46,489 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

27 LEASE OBLIGATIONS

| | Consolidated and University 2011 £000 | Consolidated and University 2010 £000 |
|---|--|--|
| At 31 July the annual commitments under operating leases were as follows: | | |
| Buildings | | |
| Expiring within one year | 908 | 875 |
| Equipment | | |
| Expiring within one year | – | – |
| Expiring between two and five years | 127 | 117 |
| | <hr/> | <hr/> |
| | 1,035 | 992 |
| | <hr/> | <hr/> |

28 FUTURE CAPITAL COMMITMENTS

| | Consolidated and University 2011 £000 | Consolidated and University 2010 £000 |
|-----------------------------------|--|--|
| Commitments contracted at 31 July | 853 | 7,517 |
| | <hr/> | <hr/> |

29 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, established locally as the Teesside Pension Fund (TPF). One member of staff is a member of the Universities Superannuation Scheme.

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

| | Year ended 31 July 2011 £000 | Year ended 31 July 2010 £000 |
|---|---|------------------------------------|
| TPS: contributions paid | 4,237 | 4,251 |
| TPF: charge to the Income and Expenditure account | 5,131 | 4,637 |
| Contributions paid to other pension schemes | 12 | 36 |
| Total Pension Cost (note 6) | 9,380 | 8,924 |

The assumptions and other data relevant to the determination of the contribution levels of the schemes are as follows:

| | TPS | TPF |
|--|---------------|-------------|
| Investment returns per annum | 6.5% | 4.7% - 7.1% |
| Salary scale increase per annum | 4.5% | 5.4% |
| Pension increase per annum | Not disclosed | 3.4% |
| Market value of assets at date of last valuation | £163,240m | £2,025m |
| MFR proportion of members' accrued benefits covered by the actuarial value of the assets | 98% | 98% |

Teachers' Pension Scheme

TPS is actuarially valued not less than every four years by the Government Actuary. The last actuarial valuation was as at 31 March 2004. Contributions are paid by the University at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the Scheme are made from funds voted by Parliament. The contribution rate payable by the employer is 14.1% of pensionable salaries.

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

Teesside Pension Fund

TPF is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. The contribution payable by the employer was 14.0% of pensionable salaries to 31 March 2011 and 14.4% thereafter.

Under the definitions set out in FRS 17, the TPF is a multi-employer defined benefit pension scheme. In the case of the TPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2011.

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

29 PENSION SCHEMES continued

The material assumptions used by the actuary for FRS 17 at 31 July were:

| | 2011 | 2010 |
|-------------------|-------------|------|
| | % | % |
| Price increases | 2.7 | 2.7 |
| Salary increases | 5.0 | 4.7 |
| Pension increases | 2.7 | 2.7 |
| Discount rate | 5.3 | 5.4 |

The assumed life expectations on retirement at age 65 are:

| | 2011 | 2010 |
|-----------------------------|--------------|-------|
| | Years | Years |
| Retiring today | | |
| Males | 18.9 | 19.5 |
| Females | 23.0 | 22.5 |
| Retiring in 10 years | | |
| Males | 20.9 | 20.4 |
| Females | 24.9 | 23.4 |

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the year. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively. The return on equities and property is assumed to be a margin above gilt yields.

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

| | 2011 | | 2010 | |
|-------------|-----------------|------------------|-----------------|------------------|
| | Share of assets | Expected return | Share of assets | Expected return |
| | % | at 1 August 2010 | % | at 1 August 2009 |
| Equities | 81 | 7.1 | 81 | 7.4 |
| Gilts | 7 | 4.0 | 8 | 4.3 |
| Other bonds | 2 | 5.3 | 1 | 5.4 |
| Property | 4 | 6.6 | 4 | 6.9 |
| Cash | 6 | 3.0 | 6 | 3.0 |

29 PENSION SCHEMES continued

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

| | 2011 | 2010 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Analysis of the amount shown in the balance sheet | | |
| University's estimated asset share | 95,715 | 83,580 |
| Present value of the University's estimated share of scheme liabilities | (119,675) | (100,260) |
| | <u>(23,960)</u> | <u>(16,680)</u> |
| Analysis of the amount charged to staff costs within operating surplus | | |
| Current service cost | 4,945 | 4,637 |
| Losses on curtailments | 186 | – |
| | <u>5,131</u> | <u>4,637</u> |
| Analysis of amount credited to other finance income (2010 – charged to interest payable) | | |
| Expected return on pension scheme assets | 5,636 | 4,882 |
| Interest on pension scheme liabilities | (5,627) | (5,942) |
| | <u>9</u> | <u>(1,060)</u> |
| Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL) | | |
| Actual return less expected return on the University's share of pension scheme assets | 6,076 | 6,926 |
| Changes in assumptions underlying the present value of the scheme liabilities | (10,227) | 7,001 |
| Experience gains and losses | (1,512) | – |
| | <u>(5,663)</u> | <u>13,927</u> |
| Movement in deficit during the year | | |
| Deficit in the scheme at 1 August | (16,680) | (28,288) |
| Movement in year: | | |
| Current service costs | (4,945) | (4,637) |
| Losses on curtailments | (186) | – |
| Contributions | 3,505 | 3,378 |
| Other finance income/(costs) | 9 | (1,060) |
| Actuarial (loss)/gain | (5,663) | 13,927 |
| | <u>(23,960)</u> | <u>(16,680)</u> |
| Deficit in scheme at 31 July | (23,960) | (16,680) |

29 PENSION SCHEMES continued

| | 2011 | 2010 |
|--|----------------|----------------|
| | £000 | £000 |
| Analysis of the movement in the present value of the scheme liabilities | | |
| At 1 August | 100,260 | 96,801 |
| Current service cost | 4,945 | 4,637 |
| Interest cost | 5,627 | 5,942 |
| Contributions by scheme participants | 1,643 | 1,617 |
| Actuarial gains and losses | 8,803 | (7,001) |
| Benefits paid less individual transfers in | (1,789) | (1,736) |
| Losses on curtailments | 186 | – |
| At 31 July | 119,675 | 100,260 |

Analysis of movement in the market value of the scheme assets

| | | |
|--|---------------|---------------|
| At 1 August | 83,580 | 68,513 |
| Expected rate of return on scheme assets | 5,636 | 4,882 |
| Actuarial gains and losses | 3,140 | 6,926 |
| Contribution by the employer | 3,505 | 3,378 |
| Contributions by scheme participants | 1,643 | 1,617 |
| Benefits paid less individual transfers in | (1,789) | (1,736) |
| At 31 July | 95,715 | 83,580 |

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

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|------------------|-----------|----------|----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Defined benefit obligation | (119,675) | (100,260) | (96,801) | (84,800) | (81,133) |
| Scheme assets | 95,715 | 83,580 | 68,513 | 67,205 | 64,974 |
| Deficit | (23,960) | (16,680) | (28,288) | (17,595) | (16,159) |
| Experience adjustments on scheme liabilities | 1,424 | – | – | 1,757 | – |
| Experience adjustments on scheme assets | 3,140 | 6,926 | (7,035) | (5,314) | 1,770 |

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £221,000 gain (2010: £5,884,000 gain).

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

The estimated employer's contribution to the scheme for the year ending 31 July 2012 is £3,566,000.

The actual return on scheme assets in the year was £11,711,000 (2010: £11,808,000 return).

30 ACCESS FUNDS

| | 2011 | 2010 |
|-----------------------------------|-------------|-----------|
| | £000 | £000 |
| HEFCE grants | 606 | 626 |
| Interest earned | 2 | 1 |
| | <hr/> | <hr/> |
| | 608 | 627 |
| Disbursed to students | (608) | (617) |
| | <hr/> | <hr/> |
| Balance unspent at 31 July | – | 10 |
| | <hr/> | <hr/> |

HEFCE grants are available solely for students. The University acts only as paying agent.

The grants and related disbursements, to the extent of total access fund income, are therefore excluded from the Income and Expenditure Account.

31 RELATED PARTY TRANSACTIONS

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

The University paid £1,488 (2010: £3,000) to certain members of the Board of Governors as reimbursement of travel expenses. Governors did not receive any other payments.

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

The President of Teesside University Students' Union (TUSU) is a member of the Board of Governors. The financial statements of TUSU are separately audited and in accordance with accounting policy Basis of Consolidation the results are not consolidated with the University. TUSU received a block grant from the University of £735,000 (2010: £760,000) and other specific grants of £15,000 (2010: £78,000).

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

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