

Inspiring success



Governors' Report and Financial Statements

for the year ended
31 July 2013





Contents

Foreword from the Chairman and Pro-Chancellor	3
Board of Governors	5
Operating and Financial Review	6
Corporate Governance	18
Statement of Internal Control	20
Independent Auditor's Report to the Board of Governors of Teesside University	21
Statement of Principal Accounting Policies	22
Consolidated Income and Expenditure Account	25
Statement of Group Historical Cost Surpluses and Deficits	26
Statement of Group Total Recognised Gains and Losses	27
Balance Sheets as at 31 July 2013	28
Consolidated Cash Flow Statement	30
Notes to the Financial Statements, year ended 31 July 2013	31



Foreword from the Chairman and Pro-Chancellor

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

It is a pleasure, as Chair, to be able to report that our University continues to make a significant and distinctive contribution to the economic, cultural and social life of the communities that we serve, working in ever stronger partnership with employers, colleges and other stakeholder organisations in our area in the open and trusted way that has become widely recognised as the flagship tradition of Teesside University.

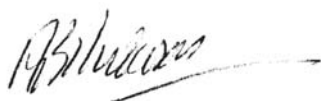
The University also continues to recognise the critical importance of its teaching, research, knowledge exchange and student support activities, and the Board remains confident that the balance between those activities is appropriate to its mission as a business engaged University that provides its students and other clients with an excellent, responsive and value-added service.

The success of our University remains rooted in careful financial control, and the fundamental financial and operational health of the University is once again evidenced in this report.

Looking forward, I am pleased to say that the University has well developed plans to continue to invest in the University campus, its staff and facilities, with a view to further enhancing our campuses, and our learning environment, in a manner which will provide an attractive, modern destination, focused very explicitly upon providing students and employers with an exceptional all-round experience.

Ensuring the University has strong and effective leadership and management at the highest level remains a key priority for the Board and 2012-13 saw the Board agree a revised senior management structure, at Vice-Chancellor's Executive level, to steer the University through the next period of its development. This change, however, coincided with the retirement of two of our longest serving, and most valued, senior executive colleagues – Executive Director (Finance & Planning), Alan Oliver, and University Secretary and Clerk to the Board of Governors, Morgan McClintock, whose combined contributions over a number of years have been truly outstanding. I would therefore like to take this opportunity to extend to them our very best wishes for the future, following their decades of exceptional service.

I am pleased to commend our report to readers.



Sandy Anderson OBE DL FREng



Board of Governors

Independent Members

Mr Sandy Anderson OBE DL FREng (Chairman and Pro-Chancellor)

Mr Paul Booth OBE

Mr Bob Cuffe

Mr Chris Fleetwood

Professor Tricia Hart

Mr David Heaton OBE

Mr John Irwin

Mr Alastair MacColl (Vice-Chairman)

Mr Sean Price (resigned with effect from 15 March 2013)

Mr Keith Robinson (Treasurer)

Ms Amanda Skelton

Mrs Alison Thain OBE

Vice-Chancellor and Chief Executive

Professor Graham Henderson CBE DL

Staff and Student Representatives

Mr David Eagle (appointed with effect from 10 May 2013)

Dr Terry Murphy (resigned with effect from 10 May 2013)

Ms Lynn Percy (appointed with effect from 10 May 2013)

Mr John Pinkney

Mrs Beverly Simpson (resigned with effect from 10 May 2013)

Dr Mark Simpson

Co-opted Members

Mr Robin Bloom

Ms Alison Clark-Jenkins

Mr John Hogg

Ms Shahda Khan MBE (appointed with effect from 19 October 2012)

Ms Sue Kiddle

Secretary

Professor Liz Holey (appointed with effect from 1 October 2013)

Mr J Morgan McClintock (retired with effect from 1 October 2013)

Operating and Financial Review

Introduction

Teesside University 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 name to Teesside University. Teesside University is an exempt charity under the terms of the Charities Act 2011.

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 three sources: grants from the HEFCE, contracts with the National Health Service (NHS) and tuition fees.

- The HEFCE has been the major public sector funder of HEIs. Due to the government's policy of moving the balance of their investment in higher education funding from grants to fee loans for students, the proportion of the University's income that will be derived from the HEFCE will decline between 2012-15 as income shifts significantly to that raised by tuition fees. The University, in common with all other HEIs, is accountable to the HEFCE for expenditure of public funds. The relationship between the University and the HEFCE is codified in a Financial Memorandum, which sets out the rights and responsibilities of both parties.
- Health Education England (HEE) is the new national commissioning body for the NHS, which devolves contracting for education through the Local Education Training Board. The latter continues to commission a range of programmes and activity for a wide range of healthcare professionals.
- Tuition fees are payable in advance by either students or their employers for Home and EU students or through loans from the Student Loans Company. Due to the changes in government fees and student funding

support policy introduced in 2012, this element of the University's income will rise significantly over the next two years as a proportion of the University's total income.

Mission, Vision, Character, Principles and Values

The Board of Governors has established a clear mission statement which is the cornerstone of the Institutional Plan 2012-15, namely that:

Teesside University is committed to:

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

Central to the pursuit of this mission, the University has set itself the vision of seeking to:

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

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

In addition to being a university with a clear and distinctive mission and vision, Teesside has evolved a very distinctive character, which can be articulated as:

dynamic, confident and committed to the pursuit of excellence, Teesside goes from strength to strength as a university widely recognised as an enabling, passionate and partnership-focused institution with a can-do mentality that organisations are keen to work with.

Students and employers have access to a vibrant learning environment in which excellent courses, great facilities and committed staff combine to inspire individuals with talent and energy to gain the knowledge and expertise they need to get into and flourish in their chosen profession.

Working creatively with employers, we tackle real-world challenges, fully recognising and committed to developing the relationship between student learning, research, knowledge transfer and business engagement, each informing the other, for the benefit of staff, students, businesses and the social, economic and cultural development of the region.

Teesside University is exciting and innovative, and inspires success.

In support of its mission, vision and character, the University has established a number of fundamental principles to inform and direct the future direction of its activities, namely:

- recognising the primary importance of remaining autonomous and financially viable in the increasingly turbulent UK HE environment
- retaining and further reinforcing its character and status as a university (not a college or training company) that invests in, values and capitalises on applied research, innovation and knowledge exchange
- maintaining and further enhancing the University's position as a business-facing, business-engaged university

- retaining a focus on excellence and the provision of the highest possible quality student learning experience within the global context necessary for future success
- providing opportunities for those individuals with the potential to succeed in HE, and who wish to stay in the Tees Valley, to use access to HE to enhance their contribution to the health, wellbeing and social, economic and cultural future of the area
- maintaining and celebrating its position as a people-led organisation that recruits, values and invests in high-quality staff.

Institutional Plan 2012-15

The Board established an Institutional Plan for 2012-15, and the strategies, aims and targets set out within the plan have been cross-referenced to the risks identified within the University's Risk Register.

The plan consists of:

- a clear articulation of the mission, vision, character, core principles and values which describe and underpin the University's ethos, culture and activities
- a statement of the general institutional aims, the subsidiary aims and the targets that the University will be seeking to deliver over the period of the plan
- articulation of the three primary strategies that describe the nature of the University's core academic activity associated with delivery of the general institutional aims, subsidiary aims and targets, namely:
 - Academic strategy
 - Business engagement strategy
 - Research strategy
- a series of annual key performance indicators covering a limited number of critical areas of development activity within each of the three primary strategies, enabling the Board of Governors and senior management to monitor progress towards the achievement of some key aims and targets identified in the institutional plan

- a series of risks requiring regular monitoring and management.

The plan is underpinned by a further 21 supporting strategies, which seek to ensure that the aims of the plan are fully and successfully achieved.

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 HE, 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. Second, the benefit(s) must be to the public, or to a section of the public.

Teesside University is committed, in principle and in practice, to the economic, social and cultural success of the communities it serves. The University's commitment to community engagement, which is widely acknowledged, is outlined in the University's Corporate Social Responsibility Framework. 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 as being indicative of it being the 'public benefactor par excellence'.

The University places huge importance on the overall quality of the student experience, and 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. The Quality Assurance Agency (QAA) for Higher Education has acknowledged the University's track record of success in widening participation, leading to outstanding levels of social mobility, both in its own right and through its strong and

expanding partnership network with local and regional Further Education colleges.

Teesside University continues to play a critical role in helping to drive the Tees Valley and North East region's economic future, willingly focusing many of its developments upon locally determined strategic economic priorities. 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 DigitalCity project. In addition, by engaging with industry, the University has targeted knowledge and skill gaps identified by employers across a number of other sectors of key importance to the local and regional economy. The University has also taken a lead role in developing a regional, national and international network to help new businesses form contacts and grow.

Raising Aspirations and Widening Participation

Raising awareness of HE at an early age with pupils from a widening participation background is critically important for supporting progression to FE and HE in the region, and hence the University continues to deliver a range of initiatives designed to drive up both aspirations and levels of educational participation across the Tees Valley, the wider North East, Yorkshire & Humberside and, to a lesser extent, the North West. Activities are wide ranging and have involved working with primary schools, secondary schools, sixth form colleges, FE colleges and adults to demonstrate ways in which education can be both enjoyable and add significant personal and career benefits.

The University's Passport Scheme continues to offer impartial help and support to over 3,000 'Passport students' per annum in its 33 institutional members, organisations, helping to demystify commonly held perceptions and concerns regarding HE, the new fees and student support regime, and to highlight the potential benefits of participation.

The University provides information to school and college students, their parents and teachers on a range of transition and progression topics designed to both encourage students to realise their full

potential and support the achievement of the University's student recruitment targets.

In 2012-13, over 35,000 prospective post-16 students had engaged in transition and progression sessions organised by the University by July 2013. Activities were also delivered to over 9,000 pre-16 students to help explain the potential benefits of education and dispel the myths surrounding HE to the children and their parents/guardians.

Information events were delivered to over 600 influencers (parents/guardians and teachers) focusing on key topics including the new undergraduate fees regime, benefits of HE and graduate employability.

In addition, in 2013, an inaugural annual conference was held at the University for all those individuals and agencies involved in working with, and advising, 'looked after' young people. This was hugely successful with over 90 delegates attending and sharing best practice from across the North East area.

Summer 2013 also saw the introduction of the University's first Year 12 Partners Residential Summer School designed for students from our Higher Education Business Partnership or extended partner college network to support recruitment by showcasing the University courses and facilities. Sixty nine per cent of respondents stated that they are now more likely to attend Teesside University after attending the Summer School than before they arrived, and 55% were more likely to choose a subject that had been offered by the University at the Summer School.

Our Summer University programme continues to make a substantial contribution to the recruitment of mature and non-standard entrants with an average progression to full- and part-time programmes of over 40%.

The University open days in October 2012 and June 2013 brought over 3,000 prospective students and their families on to the campus. When surveyed before the open day, 39% of visitors stated they would definitely choose to study at Teesside University. After the open day this increased significantly to 64%. In addition to this, the October open days successfully attracted more than 25% of visitors from outside the North East region.

The University has also attracted hundreds of students to part-time and postgraduate events both on and off campus.

Given the reduction of postgraduate and part-time students across the sector, these events are a crucial mechanism to support the University's recruitment in these areas.

Darlington

The 2012-13 academic year represented the Darlington campus's second year of operation. Students and commercial users have been overwhelmingly impressed with the facilities and services provided, and operationally there have been relatively few issues.

The campus forms part of Darlington's flagship Central Park development, but until recently little activity (other than the University's investment) has been evident on the site. That position has recently changed with the proposed siting of a new business incubation facility and the government-funded National Biologics Manufacturing Centre (managed by the Wilton-based Centre for Process Innovation) to the south of our premises, and a new housing development to the north. These developments indicate an improving economic outlook for Darlington and provide potential opportunities for the University.

The academic portfolio for the campus has, to date, been primarily focused on business engagement activity and part-time provision in the fields of education, business and health, using the geographical location of the campus to provide opportunities to attract students from a broader geographical area than previously. The part-time recruitment environment has however been challenging, as a consequence of the economic situation and major changes to student funding for part-time provision. Initial indications show a limited upturn for 2013-14.

A sharply increasing number of commercial clients and users from other parts of the University have utilised the facilities, enhancing connections with business and providing an additional revenue stream. The campus successfully hosted, for a second time, the annual ExpoTees event, which showcases the School of Computing's work to a national audience.

External clients have included The Bank of England, Northern Economic Forum, Darlington Building Society, Cummins plc, Darlington Borough Council, Aveva plc, CBI, NECC and NHS Commissioning Groups. Additionally, high-profile individuals such as the Archbishop of Canterbury (elect) and Olympic athlete Sally Gunnell OBE DL visited the campus to participate in activities organised or facilitated by the University.

A wide range of business engagement activities have been developed and delivered over the last year, which, due to the campus's accessibility, reach out to Darlington and far beyond. These activities include The Business Exchange, which comprises a series of speaker events (targeting, at director level, businesses that employ ten or more employees); a suite of business seminars aimed at new and start-up businesses (as part of the University's Enterprise Development Programme); and a series of business networking events under the umbrella of the Teesside University Business Network (which holds monthly meetings alternating between Middlesbrough and Darlington).

In association with Northumbrian Water, the Darlington campus successfully hosted the International Water Association's Young Professionals' Conference, which attracted 120 delegates from some 15 countries.

UK Student Recruitment

The University had a very successful 2012 undergraduate full-time recruitment cycle, meeting the enhanced student numbers target agreed with the HEFCE. As a result the HEFCE awarded the University further additional numbers (305) midway through the 2013-14 recruitment cycle.

On the other hand, a combination of the economic recession and the changes to the funding of part-time education led to a significant overall reduction in the number of enrolled students on part-time programmes, leading to a position where, of the 23,000 students studying at the University, 51% were enrolled on full-time/sandwich courses and only 49% on part-time courses (a significant shift in balance from previous years).

To ensure a successful recruitment round, a strong emphasis has been placed on communicating the fees and funding changes to our target markets and directing potential students to the range of support available, both from the University and other agencies.

The communication of this message was more successful for full-time undergraduate than for part-time study, in part due to a significant difference in the way in which the new funding regimes were communicated nationally by government.

The University also worked hard with its partners, including its local Further Education College network, the Higher Education Business Partnership (HEBP) and local employers, to ensure this message was received and understood. These messages have however still not been universally received and this work will therefore continue for the foreseeable future.

For the 2013 recruitment round, the University extended its scholarships package beyond the National Scholarships Programme and the Tees Extra Scholarships Programme. This package was delivered to the undergraduate market as part of the Imagine campaign, which challenged the market to imagine themselves studying at Teesside and promoted the many positive aspects of the University and local area. It also featured extensive case studies of students and graduates, highlighting our commitment to employability.

Bespoke recruitment and marketing campaigns were developed to aid postgraduate and part-time recruitment, addressing the challenges associated with these markets. The campaigns were designed to address concerns over funding opportunities and emphasise the many benefits of study. Our work with HEBP to promote HE opportunities developed significantly and we are committed to engaging with our extended FE college network going forward.

During the year, the University was, once again, successful in being nominated for several awards for its work in admissions, recruitment and marketing including the *Times Higher Education's* Admissions Team of the Year, five HEIST marketing award nominations and a nomination for the CIPR web category.

Educational Partnerships (UK Further Education)

The University boasts a strong and longstanding sub-regional partnership with local FE colleges in Middlesbrough, Stockton, Redcar & Cleveland, Hartlepool and Darlington (the Higher Education Business Partnership [HEBP]). In 2012-13, HEBP colleges exceeded their full-time target by 4%, but the number of students studying within the part-time provision at HEBP colleges fell by 32%, due largely to the removal of short bites of learning (not eligible for a fees loan) and higher-level professional qualifications (no longer eligible for an HEFCE grant), as well as the impact on recruitment in part-time due to the fees increase. Despite this anticipated sharp decline in part-time students there are still 2,400 students studying Teesside University awards in HEBP colleges.

The HEBP colleges continue to provide learners with access to an HE curriculum with clear links to business and industry, and to extensive webs of HE opportunities, delivered in University-funded HE centres in all five partner colleges.

The main focus of the University's HE in FE partnership network activity in 2012-13 has been an ambitious programme of partnership expansion, which sought to extend the network of FE college partners by embracing colleges located in the wider North East and Yorkshire & Humber regions. Following processes of due diligence and institutional approval, the University added five new college partners and considerably expanded two other partnerships. These partners include some of the largest providers of HE in the FE sector such as Bradford and Newcastle Colleges. Other new partners include Grimsby Institute of Further & Higher Education (whose group structure includes Yorkshire Coast College) Kirklees College and Dearne Valley College. The University has also been delighted to expand the existing relationship with New College Durham and Leeds City College.

Following institutional approval process across the expanding network, the University validated over 200 new awards across these seven partners in one year. Validation processes have been extremely rigorous, involving over 60 events and over 120 external academic and practitioner experts as well as academic staff from across the University. We are confident we have undertaken a thorough and robust approach, which, as well as having been welcomed by our new partners, will withstand future external quality scrutiny activity. As a result of this activity, there will, within three years, be around 5,000 more students per annum achieving Teesside University awards, taught wholly on college campuses in the north of England. Mindful of the impact on data systems the Department of Finance and Student Records has delivered a successful project to provide a fully automated secure electronic system; probably the first in the sector. Colleges have been active partners in the design and testing of the new system.

For the first time, all of the University's partner colleges participated in its annual HE in FE Conference in July 2013.

International Activity

As reported in the previous annual report, the University experienced an interruption to its ability to recruit international students in 2012 as a result of the need to demonstrate its compliance with the requirements of the Home Office Tier 4 Immigration rules and the obligations of its Highly Trusted Sponsor (HTS) status.

This interruption resulted in a significant under-recruitment of international students in 2012-13 and, disappointingly, the University has found it more difficult than originally envisaged to recover its position for a number of reasons. These include the adverse effects of the suspension on the perception of the University as a potential study destination; a number of countries from which the University has traditionally recruited students in the past starting to implement lists of approved university destinations, based on league table position, to the detriment of Teesside; and the continued unrest in the North Africa and Middle East regions, which has particularly affected recruitment from North Africa.

Throughout 2012-13, the University has implemented a comprehensive recovery plan, including a series of partner conferences, but with little immediate improvement in our recruitment position. Numbers for 2013-14 are, as a result, below the recovery target set. A full review of our international strategy, the effectiveness of the recovery plan, the potential of new markets and the viability of the office network is underway.

Despite the disappointing recruitment out-turn however, Transnational Education has continued to grow in a careful and controlled manner and is becoming an increasingly important part of the international strategy. In 2012-13 the University operated from ten centres worldwide with 1,500 students actively engaged on our programmes. As a result, we will be holding seven graduation ceremonies outside the UK this year in Europe, Africa and Asia.

In 2013-14, we expect the number of centres coming on stream to increase and hence student numbers will continue to grow.

Student Experience

The University is committed to providing an excellent student experience for all our students, and feedback confirms our success in this area. In the latest 2013 National Student Survey, Teesside achieved an overall satisfaction score of 85%.

In some subject disciplines, satisfaction was exceptionally high, with eight subjects having an overall satisfaction score recorded as 90% or better, with physiotherapy and occupational therapy highest – each scoring 97% satisfaction.

In the 2013 Postgraduate Taught Experience Survey, 89% of students reported that they felt the overall experience of their course had met or exceeded their expectations – our highest score since taking part in the survey.

Our international students also continue to report high levels of satisfaction with their experience at Teesside University, with overall satisfaction at 88% on the latest International Student Barometer. These scores, across a number of measures, indicate that we remain one of the top performing new universities.

The University's partnership with the Students' Union continues to provide students with an experience that is rich in pastoral and social support. The Students' Union was

commended again in the reporting period and hailed among the top Students' Unions in the UK in both the National Student Survey and the *Times Higher Education* magazine.

The University has also invested significantly in community and employer partnerships to enhance the experience of our students. This included the development of a respected Law Clinic in our School of Social Sciences & Law, which offers a free legal service to the community whilst providing real case work for our Law students – with input and mentoring from professional solicitors and QCs in the private sector. The relationship between our School of Arts & Media and mima (the Middlesbrough Institute of Modern Art, which is part of the TATE Britain network), has also continued to blossom amid a deeper working partnership between the two organisations. The link-up with mima affords students a range of unique opportunities and experiences in relation to curating, exhibitions, film, marketing and volunteer activities in the arts.

Employability

Despite evidence to suggest a growing need for graduate-level skills, and evidence that students, and potential students, increasingly see the attainment of graduate-level employment as a key outcome of their HE experience, levels of graduate employment in the Tees Valley and surrounding areas have remained somewhat disappointing.

The University is however totally committed to assisting students and graduates to access high-quality graduate opportunities and has, as a consequence, continued to enhance its activity in support of the development of student employability throughout 2012-13.

Activities have included the consolidation and extension of the graduate internship programmes and summer placements schemes introduced in 2012, and the development of a range of targeted programmes focused on student development:

- **Employability Summit Mobilise:** for first-year students to help them recognise the skills employers demand and how the opportunities the University offers can help them to acquire them
- **Common Purpose Frontrunner:** a three-day leadership development programme organised by Common Purpose
- **Employability Summit Base Camp:** one of two practical half-day sessions to sharpen students' views on their future career options
- **Employability Summit Managing Self:** for students beginning their third year to help them assess their position and identify the actions needed to secure employment or further study
- **Parity Kick Start:** a five-day workshop over three weeks at the end of the third year to offer advice and guidance to those who have not yet secured a graduate job
- **Aftercare graduate package:** a range of opportunities to boost career prospects from knowledge transfer partnerships to start-up business support and DigitalCity Fellowships worth £4,000 plus business support
- **The entrepreneurs@tees initiative:** which develops entrepreneurial skills and attitudes with students, and which currently offers support to the 700 potential entrepreneurs recruited in 2011-12 (and which has now been complemented by the Teesside Entrepreneurs Society launched by our Students' Union).

In 2012-13 the University also invested in a dedicated web-based portal, the Get Ahead Portal, which allows students and graduates to search a database of all of the opportunities that are available to assist them with their personal, learning and career development – from jobs and careers to skills development and volunteering. The portal was both launched and evaluated during the year and now contains details of over 80 projects and initiatives, which students and graduates can access, to support their development and skills acquisition.

The University has also continued to develop initiatives within the curriculum to support students to develop their employability skills.

In addition to these initiatives, a number of high-profile events attracted good attendance during the year, including imaginative business competitions, such as The Beer Challenge (outlining a business idea in 50 words). The National Consortium of University Entrepreneurs (NACUE) was heavily involved in a number of these initiatives, with the president of entrepreneurs@tees going on to become the regional coordinator for NACUE.

A similar programme of events is planned for 2013-14, supplemented by a significant programme of activity during November's Global Entrepreneurship Week, a high-profile event for students, staff and external participants.

Learning, Teaching and Academic Quality

Schools and departments worked collaboratively through 2012-13 to develop and implement their respective operational plans that underpin the delivery of the Learning, Teaching and Student Experience Strategy and the Academic Strategy. Plans include a number of innovations to address our principle of working in closer partnership with students, with Schools and Departments taking different approaches to meet students' local needs.

Schools and departments have embraced our goal of seeking to educate students, through the discipline of their choice, to become confident, critical, creative, adaptable, articulate and aspiring, and the University has now begun a baseline evaluation to enable us to measure the impact of this part of our strategy.

The very successful Annual (13th) Conference in Learning and Teaching was focused around working in partnership with students.

The University is committed to offering programmes by Open and Distance Learning and to investing in technology-based platforms to aid effective scholarship.

Teesside University Open Learning in Engineering (TUOLE) is a provider of high-quality flexible education to the engineering industry. For 25 years we have been creating and supporting delivery of high-quality, stand alone, open learning materials – to facilitate delivery of training and education to individuals who are unable to attend conventional classroom-based courses.

During 2012-13, the University entered into a partnership with Webstudent, a subsidiary of NOROFF (a Norwegian-based multimedia training development and delivery company), to convert the paper-based TUOLE distance learning materials over the next two years into high-quality web-based materials on a multimedia learning platform. It is anticipated that, in addition to improving the learning

experience of existing students, the partnership with NOROFF/Webstudent will allow us to access new markets and to subsequently increase the number of students enrolled on distance-learning programmes worldwide.

In addition to the TUOLE development, the University has been developing strong links with the NOROFF Institute through our School of Computing for many years and we are continuing to work with them to develop Computer Animation, Games and Digital Media programmes. The partnership currently results in over 50 international full-fee-paying students coming to study on campus annually, and it is anticipated that this number will increase significantly over the coming period.

In 2012-13, the University funded four new learning and teaching innovation projects and, following an evaluation of the new Students as Researchers scheme, which demonstrated a positive impact on both students and staff, we have both continued the scheme and employed 20 new students to work with our academics.

We successfully completed the externally funded Open Educational Resources Project (£20,000) and won another Higher Education Academy-funded project (£8,000). This project is now underway and involves a focus on the assessment strategies within the School of Science & Engineering and consideration, at University level, of our current Assessment and Feedback Policy.

A learning and teaching leadership network has been established which includes our Assistant Deans (Learning and Teaching), learning and teaching co-ordinators, University teaching fellows, e-learning co-ordinators, National Teaching Fellows and others with a leadership role in enhancing student learning experiences within departments and the University's teaching fellows. They are working, both together and individually, to lead a number of projects on behalf of the University to enhance the quality of our teaching.

In addition, Dr Ruth Helyer was successful in gaining a National Teaching Fellowship, awarded by the Higher Education Academy (HEA).

The University was one of the first in the sector to gain HEA accreditation for its continuing professional development

framework that supports staff towards Fellowship status. HEA currently maintains the UK Professional Standards Framework in Learning and Teaching on behalf of the sector and this was updated in November 2011 to include the new, and highest, Fellowship status, Principal Fellowship. The University was awarded transition accredited status to meet the new Framework (2011) requirements. We can already award Associate, Fellow and Senior Fellowship status and are in the process of applying for re-accreditation to include all four levels of Fellowship status so we can also award Principal Fellowships.

In the first year that the sector was obliged to report to Higher Education Statistics Agency (HESA) on the teaching qualifications/awards of its teaching staff, the University was able to report that 85% of its teaching staff hold a recognised teaching award. Of the 647 staff included in the HESA report, only 43 held no recognised teaching award. Our target for the 2012-15 Learning, Teaching and Student Experience Strategy is for 95% of our staff to hold a recognised teaching award, so work continues to meet this target.

Throughout 2012-13, the University actively engaged in several working groups developing chapters of the UK Quality Code for Higher Education and responded to subsequent consultations within the sector. A series of mapping activities has also taken place following publication of the new chapters, and appropriate actions put in place where changes to existing processes were deemed necessary.

As required by the QAA, the University submitted the mid-cycle follow-up to the Institutional Audit Report and, following a review, the processes for approving international collaborative provision arrangements were revised. Significant work has also been undertaken in relation to the institutional approval of several UK public sector college partners.

As part of the approval process for each college, a detailed mapping of its quality processes was undertaken and agreement reached on whether or not the college's quality process could be used in respect of our provision, on the basis that they ensure achievement of an equivalent outcome.

A series of staff development activities has also been undertaken with University and partner college staff to ensure a high level of understanding of the regulatory issues and quality processes governing this type of collaborative provision. Further structured staff development activities are planned for the 2013-14 academic year.

Research

Preparations for the 2014 Research Excellence Framework (REF) have continued throughout 2012-13, co-ordinated by a cross-institution REF steering group. The University has now implemented the code of practice for the selection of members of staff to be submitted to REF by 29 November 2013.

The University has achieved official European recognition for developing and supporting researchers by gaining the Human Resource Excellence in Research Award from the European Commission. The award is given to organisations that can demonstrate a robust and public implementation strategy of improving the career development of researchers. In the UK this focuses on the concordat to support researchers, which includes the principles of good practice, demonstrates an action plan for development and a commitment to continual improvement.

The University had a very successful year for research student completions with 40 students awarded higher degrees by research. A new round of doctoral scholarship students was also recruited, some in partnership with external organisations and industry. The University also put in place a new framework and policies for ensuring research integrity, in response to increased expectations from the HEFCE and research funders.

The University's five research institutes – Digital Futures; Technology Futures; Social Futures; Design, Culture and the Arts; and Health and Social Care – continue to support the development and application of high-quality research, with an emphasis on multidisciplinary work and collaboration with external partners.

Our partnerships include the Health and Social Care Institute's continued role in Fuse, the Centre for Translational Research in Public Health. Fuse recently secured more than £4m for a further five years as part of the UK Clinical Research Collaboration initiative that supports five public health research centres

of excellence. Fuse brings together expertise from all five North-East universities to conduct world-class research into public health issues.

The Digital Futures Institute has won a number of awards for their excellent research including the Best Application Award at the 23rd International Conference on Automated Planning and Scheduling and the Best Paper Award at the 12th International Conference on Autonomous Agents and Multi-agent Systems. The Institute has also developed a new partnership with Cleveland Police, which has been funded through the Royal Academy of Engineering's Industrial Secondment Scheme. The secondment will allow Dr Phil Brooke to work with Cleveland Police on a joint project looking at security and the practical use of IT in network-based investigations.

In the Technology Futures Institute, Professor Nashwan Dawood and Dr Mohamad Kassem are partners in an innovative project led by Qatar University and funded by the Qatar Foundation, which will develop building information modelling for the Qatar construction industry. The University is also involved in a number of Technology Strategy Board-funded projects, working with industrial partners to improve the efficiency of the use of energy and resources. Our industrial partners have included Rolls-Royce, Sainsbury's, Tayto Group and SK Chilled Foods.

The University has established the Centre for Resource Efficient Manufacturing Systems, a strategically important new collaboration with the Centre for Process Innovation and the Institute for Manufacturing at the University of Cambridge.

New initiatives from the past year also included the launch of the first research unit in Britain dedicated to the study of the far right and its opposition. The ground-breaking Centre for Fascist, Anti-Fascist and Post-Fascist Studies, will form part of the Institute for Design, Culture and the Arts, and is being led by Professor Nigel Copsey and Dr Matthew Feldman, both leading experts on aspects of fascist and anti-fascist extremism.

In the Social Futures Institute, research in criminology is being driven forward by the newly formed Teesside Centre for Realist Criminology, directed by Professors Simon Winlow and Steve Hall. World-leading realist criminologist, Professor Elliott Currie from the

University of California, was among the guest speakers at the Centre's launch.

Business Engagement, Enterprise and Knowledge Transfer, and Workforce Development

The University has once again been shortlisted for the *Times Higher Education's* Entrepreneurial University of the Year award, in recognition of its activities in the academic year 2011-12.

Throughout 2012-13, a strong record in the delivery of knowledge transfer partnerships (KTPs) was maintained, with a Grade A – Outstanding award for a KTP with Northumbrian Water, and a Very Good rating for a KTP with Coast and Country Housing. The University also continued to deliver its own brand of knowledge transfer projects with regional SMEs funded from the European Regional Development Fund; and supported SMEs in key growth sectors with graduate internships.

Successful delivery of a social enterprise awareness and development programme saw a total of 68 staff, students and graduates supported, and funding awarded to 19 new social enterprise developments from the University's UnLtd grant fund. A social entrepreneur in residence has been appointed for 2013-14, to work proactively with staff and students. Jack in the Box, a social enterprise supported on campus, was first runner-up in the national UnLtd Outstanding Social Entrepreneur Awards in July.

In January 2013, the University partnered with internet start-up accelerator Searchcamp to run a unique intensive 13-week programme on campus for digital start-ups. Six companies were formed as a result of this first programme, which saw entrepreneurial experts from across the globe providing mentoring and coaching. All six have remained in the Tees Valley and are now securing investment. Work is now under way to integrate Searchcamp activities and principles with DigitalCity delivery, and to connect it more closely with entrepreneurs@tees. Searchcamp is also supporting the delivery of a series of lean start-up activities for Global Entrepreneurship Week in November 2013.

With the loss of HEFCE co-funding for workforce development, the University has benefited from a competitive £1m grant to support new routes to business engagement. Key activities in the year included:

- reinvigoration of the University's commercial development approach, with a clear focus for all business development on achieving business impact; clarifying the return to the University; profiling key markets; delivering a clear business message; identifying a clear entry point for clients; operating effective systems; sales; monitoring and control; and customer relationship management
- a new academic staff development programme providing direct opportunities for working with business, from work-shadowing through to delivery of intensive projects with strategic companies – to be repeated in 2013-14
- development of a stronger business presence at the Darlington campus, including establishment of The Business Exchange, a monthly forum for business leaders
- enhanced marketing, networking and events, including the hosting on campus of the Tees Valley Unlimited business summit and the revision of business web pages. The University received a significantly higher profile for its work with business during the year thanks to enhanced resourcing of PR and marketing activity
- a major business perceptions survey
- provision of subsidies for employer programmes leading to HE-recognised qualifications and for employer-sponsored postgraduate places.

Employer demand for HE-recognised qualifications has proved less strong than demand for shorter accredited and non-accredited provision, and it seems likely that the loss of the HEFCE financial support for workforce development will lead to a long-term shift in the models of part-time HE and work-based learning provision.

An executive business board, comprising senior industrialists from the area, was formed during the year, under the Chairmanship of the Vice-Chancellor, to provide guidance and direction for the University's business engagement strategy.

The University appointed a new Head of DigitalCity Innovation during the year, with the remit of building national and international networks and continuing to build a world-class reputation. The University worked closely with the new DigitalCity Strategic Board to inform strategy and developments for the wider DigitalCity initiative.

Financial Performance

Key Financial Data	2012-13 £000	2011-12 £000
Total income	125,164	132,361
Total expenditure	114,953	121,001
Surplus for the year	10,211	11,360
Exceptional items (included in above):		
FRS 17 adjustment	200	(1,900)
Voluntary severance scheme	(785)	(1,201)
Capital additions	2,406	2,699
Cash at bank and in hand including money market investments	69,236	68,107
Borrowings	683	6,742
Total funds (net assets)	153,584	133,405
Cash flow generated from operations	12,406	13,458

Following the significant changes to the funding of HE and, in particular, the introduction of increased variable tuition fees for both full- and part-time programmes, the University will, within three years, be almost entirely reliant on direct student fee income to fund its teaching provision, as opposed to the previous system of receiving block grant from the HEFCE.

Given the uncertainties in the sector surrounding recruitment, following the government's introduction of variable fees, the out-turn for 2012-13 is particularly pleasing and ahead of budget for the year. Despite a reduction in overall income (mainly due to the reduction in the teaching grant from the HEFCE), the University has controlled expenditure to generate an operating surplus of £10.2m and to meet all of the financial KPIs included in the Financial Strategy.

The net assets of the University increased by £20.2m to £153.6m. This increase is due to the surplus for the year and a reduction in the pension fund deficit of £11m which is explained in more detail below.

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 FRS 17. The FRS 17 accounting treatment has resulted in a credit of £0.2m to the income and expenditure account (over and above the contributions made). Actuarial gains and losses are charged/credited to the Statement of Recognised Gains and Losses. For the year ended 31 July 2013, there was an actuarial gain of £10.9m, largely as a result of an improvement in the actual return compared to the expected return anticipated by the Actuary at 31 July 2012.

The University continues to hold 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. Regular reports on Treasury Management are taken to the Governors' Resources Committee. During the year the University entered into a formal set-off arrangement with Lloyds Bank with whom it has a loan of £5.4m outstanding at 31 July 2013. At the year-end an equivalent amount was held on deposit with Lloyds Bank and, having recently finalised the Estates Strategy, it is considered prudent not to repay this loan. This is reflected in the reduction in borrowings from £6.7m to £0.7m.

Cash flow from operations for the year was £12.4m. The University withdrew almost £10m from term deposits, choosing instead to invest surplus funds in instant access accounts due to better rates being available, made repayments of bank loans of £0.6m and incurred net capital expenditure of £2.4m. Additionally, the University bought out the finance lease relating to two campus properties. This was included in the Estates Strategy and, as a result, the University now has outright ownership of its estate.

University Senior Management Structures

The dynamic and uncertain environment within HE makes it essential that the University maintains a strong leadership at the very top of the organisation. The Vice-Chancellor and the Board have therefore been actively considering a succession plan and management restructuring to provide a platform for future success.

A comprehensive mapping programme of the executive responsibilities in the Vice-Chancellor's Executive (VCE) team was therefore undertaken in 2012-13 ahead of the planned retirement of two long-serving members of the VCE in late 2013, and a new management structure agreed.

The Executive Director (Finance and Planning) and the University Secretary and Clerk to the Board of Governors both retired from their posts and a restructuring of the VCE was subsequently agreed with the Board of Governors in 2012-13 for implementation in 2013-14. The restructure includes the creation of a new post of Deputy Chief Executive (Chief Operating Officer) to lead on the management of the University's main business and professional support services, two new Pro-Vice-Chancellor roles, which will be focusing on Quality & Governance and Educational Partnerships (UK and International), and the promotion of two senior directors to join the VCE as Assistant Chief Executives in the areas of Human Resources and External Relations. The Deputy Chief Executive (Chief Operating Officer) has recently been appointed and will be in post from 1 December 2013. The Pro-Vice-Chancellor (Quality and Governance) was appointed with effect from 1 October 2013 and an appointment to the other Pro-Vice-Chancellor post will be made shortly.

Human Resources

The University's reputation as an employer of choice was recognised by the Investors in People Gold Status award in December 2011. This was reinforced further in the outcomes of the staff survey conducted in October 2012. Ninety three per cent of the respondents stated that the University was 'a good place to work', putting Teesside at the top of the ratings for

all universities taking part in the Capita survey.

Work is already underway to examine both the strengths and improvement areas identified at local level by School and departmental staff. Local action plans responding to this analysis will be incorporated into the 2014-15 development planning process.

During 2012-13, the Human Resources (HR) team supported a major review of the staffing structures in the IT function. As well as delivering significant savings, the new IT and Communication Services Department has been developed to provide a more effective IT service to all parts of the University. In response to the changes in HE funding, a new combined finance and student records function was also established, enabling a more streamlined approach to processing fees income. Further staffing efficiencies are planned for 2013-14.

The University maintained its excellent track record in occupational health and safety by delivering the lowest accident rate ever recorded on campus and was recognised nationally for its Safety is Everybody's Business training campaign. Work planned for 2013-14 includes a range of health promotion events for staff and students delivered in conjunction with local public health providers.

In October 2013, the HR and staff development teams will come together to form a new enhanced HR function, providing the infrastructure for more effective organisational development activity, underpinned by the introduction of a new HR strategy.

Human Resources – Learning and Development

During 2012-13, the focus on learning and development has been around enhancing the service provision provided across the University. Staff, leadership and organisational development priorities have focused on:

- the development of the new human resource strategy (HRS)
- an extensive review of the University's leadership and management programmes
- the development of a coaching culture to further embed leadership and facilitate regular and continuous development and support for staff at School/department level

- exploring enhancements for the management of information and reporting systems for employee learning and development records
- the development and implementation of an enhanced evaluation framework
- the review and continuous improvement to the provision of initial and continuing professional development support
- revisions to the funding criteria for central staff development budget support.

Staff and leadership development elements of the new HRS include the incorporation of the actions emerging from the Investors in People Review 2011. The Academic Leadership Programme is receiving a separate review of its context and structure linking the revised content to the HEA UK Professional Standards Framework for teaching and supporting learning.

The steady increase in the coaching and consultancy support provided to staff by the learning and development team has been further enhanced by the development and successful completion of a coaching pilot.

The development and implementation of an enhanced evaluation framework has been devised to strengthen the impact of training interventions on ensuring that identified learning and development needs meet the specific requirements of our internal stakeholder clients.

Enhancements to the University's initial and continuing professional development provision have continued throughout 2012-13. They have included the review and updating of the central induction processes for new staff, support for new staff on student monitoring responsibilities as a Home Office Tier 4 Highly Trusted Sponsor and a range of personal development opportunities.

January 2013 saw the delivery of the 13th Annual Learning and Teaching Conference which focused on the concept of students as partners in learning.

The inaugural Staff Leadership and Management Conference took place at the Darlington campus on 13 June 2013 and was designed to offer alumni of the University's leadership and management programme the opportunity to learn from the real-life experiences of a number of famous and high-profile leaders.

Applications received for funding support from the University's central staff development

budget have allowed 59 members of staff to continue to receive support to undertake accredited courses and qualifications relevant to their work role, and a further 45 applications have been received and approved to commence in autumn 2013.

Equal Opportunities

The University is committed to equal opportunities for all staff and students, ensuring that individuals are treated fairly and with respect at all times, and given equality of opportunity in all activities.

During 2012-13, the University continued to raise awareness of the equal opportunities agenda and, in particular, the key diversity strands, through a significant increase in the volume and range of equality and diversity events throughout the year. Many of these have successfully embraced key local community groups for the first time.

The University is on target to complete its four-year (2012-16) equality and diversity action plan, following the recent re-launch of the harassment advisers' network. Work is already underway to embed equality and diversity principles more effectively in the University's procurement processes.

A key focus for 2013-14 will be a University-wide equality and diversity training campaign to launch the new enhanced compulsory training matrix, which includes programmes specifically designed for academic staff.

Environmental Developments

Environmental developments took place during the calendar year 2012, which involved contributions by staff and students across the University. These activities resulted in numerous achievements, culminating in recognition by EcoCampus that the University has achieved Silver status, and the Gold standard by the National Union of Students to the Students' Union (The Green Impact Awards).

The University continues to monitor its environmental progress through EcoCampus, the environmental management system specifically designed for the HE sector. This recognises staged progression towards ISO 14001 registration and is currently working towards achieving the third stage (Gold) award.

The University has maintained its 2:1 status in the People and Planet Green League, despite the scoring criterion becoming more stringent.

The wide range of activities examined and monitored within the EcoCampus environmental programme has been kept under formal review by the University's Environmental Advisory Group, which has reviewed and amended a series of environmental policies and procedures.

An environment report providing an overview of progress of environmental developments was also welcomed by the Board of Governors.

Unfortunately, the weather during term time was significantly poorer in 2012-13 than in 2011-12, and the greater demand for heating throughout the year led to a 27% increase in gas consumption, and therefore entailed an overall increase in carbon emissions.

If weather patterns had been similar to the previous year, the University would have realised a further reduction of 2% in carbon emissions compared with the previous year. It would also have generated an overall saving of 8.9% in the last three years.

Projects identified for 2013-14 will incorporate the installation of voltage reduction equipment which should guarantee a minimum of an 8% reduction in electricity consumption in key campus buildings. The Carbon Reduction Plan has focused efforts on reducing energy consumption in campus buildings and has resulted in the University reducing the display energy certificate (DEC) rating for all buildings since the initial introduction of DEC's in 2008.

The University successfully completed the second year of the Carbon Reduction Commitment Energy Efficiency Scheme registration process, and maintained a position within the upper quartile of the national league table, demonstrating the University's commitment to improving energy efficiency and reducing carbon emissions.

The programme of introducing mini-recycling facilities in the communal corridors of campus buildings has continued, in conjunction with recycling awareness campaigns.

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. This helped to identify several significant underground leaks, the

rectification of which resulted in a 5.8% reduction in water consumption.

Considerable progress has continued during 2012-13 towards diversification of the mode of transport used by students and staff to the Middlesbrough campus. Demand has grown for the park and ride scheme. The University facilitated the purchase of bicycles by staff, and additional cycle parking facilities have been provided. To encourage use of public transport, a travel information point established in the Library has been well received and the shuttle bus from the University to Middlesbrough Railway Station and Cannon Park continues to be fully utilised.

Key Performance Indicators

The University's key performance indicators for 2012-13 reflected the areas of focus of the Board throughout the year and included those student retention and completion indicators, which are central to the University's access agreement with the Office for Fair Access. The key performance indicators utilised in 2012-13 included:

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

The most recent data in each of these areas demonstrates the following changes/achievements:

- the average tariff points score of UK students entering full-time degree programmes at Teesside has increased from 263 points (for the 2008 entry cohort) to 315 points (for the 2012 entry cohort)
- the percentage of students achieving their original qualification aim, or another at the same level, increased from 75% (for the 2008-09 academic year) to 81.2% (for the 2011-12 academic year).
- the percentage of students gaining first-class or upper-second-class degrees has increased to 56% in 2011-12
- National Student Survey scores have been consistently high, with 85% being achieved in 2013. In the 2013 Postgraduate Taught Experience Survey,

students gave an overall satisfaction score of 89%

- 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 are regularly assessed, with reference to a risk register agreed by the University's Risk Management Committee and the Board of Governors.

In 2012-13, Governors undertook a review of its risk reporting arrangements and resolved to involve more committees in risk oversight.

The University has mitigating actions in place to reduce the impact and likelihood of all of its key risks, and holds sufficient 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 number of major risks. These include reductions in income, student recruitment, student attainment or graduate employability, risks from other key activities such as UK and international collaborative activity, and risks from unforeseen events.

Given the importance of recruitment to the attainment of the University's academic mission and the maintenance of its financial stability, the Board of Governors has identified the following as the two most significant risks, out of the 10 major risks identified, to the University:

- **inability to achieve enrolment targets for home and EU students**
- **inability to achieve enrolment targets for international students.**

These risks are detailed below:

1 Inability to achieve enrolment targets for home and EU students

The University was successful in meeting its full-time home/EU undergraduate recruitment targets for 2012-13 and has achieved some notable successes in 2013-14.

However, recruitment for 2013-14 has taken place in the context of both the government's decision to broaden the criteria for students outside the Student Number Control (SNC) to include ABB (and equivalent), and a further increase in the institution's SNC, following its highly successful recruitment out-turn in 2012. This has presented us with some demanding targets and, whilst the University has delivered the growth achieved in 2012 for a second time, and also succeeded in significantly increasing the number of students outside the SNC, it has not succeeded in delivering all of the further, new growth in SNC allocated for 2013. This out-turn reflects a number of changes in the national market for HE but also the impact of the local demographic decline within our traditional target market.

Recruitment of full-time postgraduate students in the current economic climate continues to be challenging, and although target numbers are low, there appears to be limited appetite for progression from undergraduate to postgraduate status.

In part-time mode the market was, as expected, significantly affected by the increase in tuition fees, the lack of clarity around the availability of tuition fee loans, and the lack of student loans available for equivalent and lower-level qualifications (often arising from a student's need/desire to 'reskill') and small programmes of study/continuing professional development, typically accessed by those studying alongside work. Resulting changes to the University's course portfolio, and in particular the withdrawal of most short-course provision, impacted significantly on the number of enrolled students and, despite the University working hard to promote the offer and the fee messages, the take up of provision was still poor. However, the University has succeeded in retaining its market share in several key subject areas.

Full-time recruitment risks have been addressed by a number of measures including increased conversion activity; enhanced outreach, marketing and recruitment activity; an enhanced June open day to engage 2013-14 late applicants; and relationship-building work with the new college network.

Measures to address part-time recruitment risks include expansion of marketing and recruitment activity to promote the portfolio and the availability of fee loans; a significantly earlier launch of the 2013 marketing campaign

and part-time prospectus; and continuing review of the part-time portfolio and the infrastructure to deliver an optimal part-time experience.

2 Inability to achieve enrolment targets for international students

Following a pause of the University's Highly Trusted Sponsor License (HTS) in 2011-12, the University introduced robust, enhanced processes to ensure compliance with United Kingdom Visas and Immigration (UKVI) requirements for international students. This has reduced the likelihood of losing the license and provides a good foundation for the University to recover its international reputation and its market share of international students. However, international recruitment continues to be very challenging. UK immigration policies, particularly in relation to the testing of English language competence, constrain the University's ability to recruit in key markets. Further, the UK Government's determination to reduce temporary migration, in part via the student route, and increased competition both from institutions within the UK and globally have indicated a need to diversify beyond a small core of target countries.

Measures to address this risk include diversification of application routes in terms of countries, subjects and recruitment channels; maintenance of HTS status by ensuring compliance with UKVI rules; improvement of online recruitment and enquiry channels; and new processes for international admissions to manage the flow of applications and to ensure that priority applicants (such as sponsored students) are given exceptional service above the normal service level.

The University will review the outcome of the September 2013 recruitment round as a basis for enhancing its recruitment channels for future years.

Trends and Factors Affecting Future Performance

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

Academic Profile

- continued impact of the introduction of variable tuition fees

- changing training and knowledge transfer demands of key employers
 - revisions to our workforce development strategy, necessitated by policy and funding changes at national level
 - revisions to the postgraduate taught and part-time portfolios to reflect the changing circumstances and funding arrangements of these student groups
 - further development and exploitation of key markets for international recruitment and transnational education delivery
 - refinement of the offer at the Darlington campus and related expansion of student recruitment and business engagement activity
 - identification of emerging areas of academic expertise, linked to external market demand, that can be capitalised upon to deliver future growth
 - development of strategic partnerships with external stakeholders and partners that can anchor the University's activity and provide a platform for future growth
 - exploitation of emerging opportunities to expand access to learning through different modes of study such as flexible learning, work-based learning and distance learning
 - continued enhancement of the portfolio of student support and retention activities to maximise student progression and attainment
 - action to embed employability skills in all programmes of study and to deliver a step change in employment six months after graduation.
- intensification of the competition from other providers of HE, and expansion of the involvement of the private and FE sectors in HE delivery
 - funding of public sector pension schemes, and phasing out of default retirement age
 - changes in the funding of research and likely tendency towards greater concentration of research funding from all sources.

Corporate Activity to Maintain Financial Sustainability

- the need to continue to prioritise financial stability, to allow us to make considered responses
- streamlining of systems and processes to improve operating efficiency
- ongoing programmes of cost reduction
- increase recruitment of full-cost international students and students who are outside the SNC
- the need to continue to work in close strategic partnership with our local network of indirectly funded HE Business Partnership colleges whilst systematically expanding our wider partnership network with colleges throughout the North East, Yorkshire & Humberside, and investigating strategic partnerships with other private providers
- focus on expanding services which are not dependent on public-sector support – for example, consultancy, applied research and commercial activities flowing from key support areas (such as leadership development activity, consultancy, conference activity and provision of business services.

External Factors

- the impact of annual SNC and uncapped recruitment of ABB
- the funding to support postgraduate programmes continues to be of serious concern across the sector
- demographic trends in the Tees Valley region
- fundamental changes in the commissioning and funding of HE by government, the NHS and other public bodies
- on-going impact on student demand for HE of rising tuition fees and changes to the student-funding support regime

Conclusions

The University's activities, in the context of 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 through this period of significant change in HE and is well placed to manage successfully the risks and challenges which lie ahead. Like many HEIs, the University faces considerable external uncertainties, but it will continue to seek opportunities to expand and diversify to ensure continued success.

On the basis of the evidence outlined in this Review, 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 Board of Governors continues to adopt the going-concern basis in preparing the Annual Report and Accounts.



Chair of Governors



Vice-Chancellor and Chief Executive

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 June 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 the HEFCE, the Board of Governors is responsible for the ongoing strategic direction of the University, approval of major developments, and the receipt of regular reports from the Vice-Chancellor and the Board's committees on the operations of its business and its subsidiary companies.

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

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

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

The Nomination Committee considers nominations for vacancies on the Board.

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

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

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



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

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

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

Statement of Internal Control

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

The Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the governing body in the University's Instrument and Articles of Government and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on a continuous process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process, which accords with the HEFCE guidance, has been in place for the year ended 31 July 2013 and up to the date of approval of the Financial Statements.

The Board of Governors, through the Audit Committee, has overall responsibility for reviewing the Statement of Internal Control, for updating the University's risk management strategy, and for 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 Director, Department of Quality & Governance 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 2013 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 30. 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 2013 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 2013 have been applied for the purposes for which they were received and
- in all material respects, income during the year ended 31 July 2013 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 is inconsistent with our knowledge of the University.



Deloitte LLP
 CHARTERED ACCOUNTANTS AND
 STATUTORY AUDITOR
 Leeds, England
 21 November 2013

Statement of Principal Accounting Policies

Basis of Preparation

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

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

Basis of Consolidation

The consolidated Financial Statements include the University, its subsidiary undertakings and the Friends of the University of Teesside Trust for the financial year to 31 July 2013. Intra-group transactions are eliminated on consolidation.

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

Income Recognition

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

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

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

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

benefit of the University are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

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

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

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

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

Agency Arrangements

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

Leases and Hire Purchase Contracts

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

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

Taxation

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 (formerly schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in paragraph 1 schedule 6 of the Finance Act 2010. Therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 Corporation Taxes Act 2009 and sections 471, and 478-488 Corporation Taxes Act 2010 (formerly section 505 of the Income and Corporation Taxes Act 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such

inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

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

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

Land and Buildings

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

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

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

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other directly attributable costs incurred to 31 July 2013.

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.

Investments

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

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

Stock

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

Cash Flows and Liquid Resources

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

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

Intra-group Transactions

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

Foreign Currency Translations

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

Accounting for Charitable Donations

Unrestricted Donations

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

Endowment Funds

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

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

Accounting for Retirement Benefits

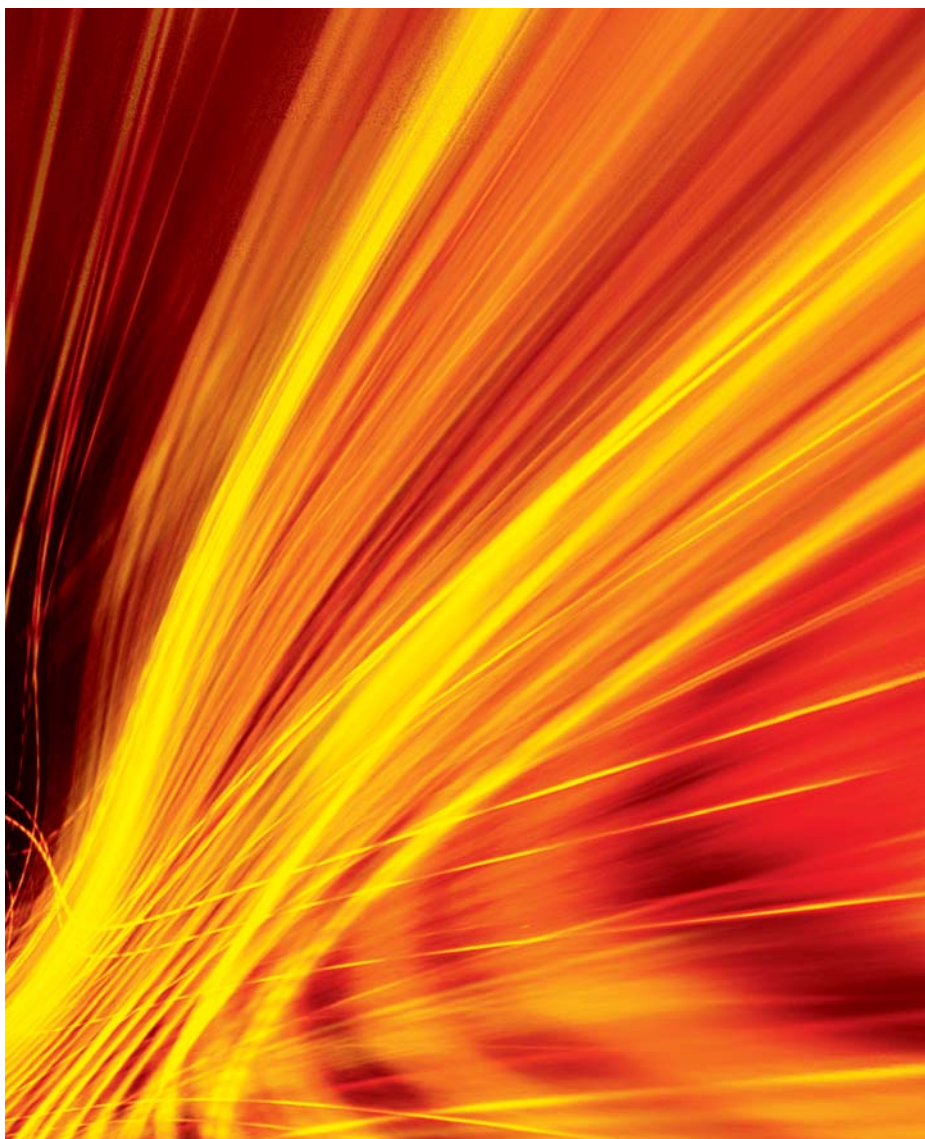
The University contributes to the Universities Superannuation Scheme (USS), the Local Government Superannuation Scheme (LGPS) and the Teachers' Pension Scheme (TPS). All schemes are defined benefit schemes, which are contracted out of the Second State Pension (S2P).

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 2013 £000	Year ended 31 July 2012 £000
Income			
Funding body grants	1	39,799	53,707
Tuition fees and education contracts	2	68,220	62,910
Research grants and contracts	3	3,067	2,862
Other income	4	12,506	12,154
Endowment and investment income	5	1,572	728
Total Income		125,164	132,361
Expenditure			
Staff costs	6	72,410	75,147
Other operating expenses		37,026	40,066
Depreciation	10	5,242	5,281
Interest and other finance costs	7	275	507
Total Expenditure	8	114,953	121,001
Surplus on continuing operations after depreciation of assets at valuation before and after tax		10,211	11,360
Surplus for the year transferred to accumulated income in endowment funds		(2)	(2)
Surplus for the year retained within general reserves	21	10,209	11,358

All items of Income and Expenditure arise from continuing operations.

Statement of Group Historical Cost Surpluses and Deficits

	Note	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		10,211	11,360
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	643	705
Historical cost surplus for the year before and after tax		10,854	12,065

Statement of Group Total Recognised Gains and Losses

	Note	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		10,211	11,360
Appreciation of endowment assets	20	17	–
Actuarial gain in respect of pension scheme	28	10,905	9,365
Total recognised gains relating to the year		21,133	20,725
Reconciliation			
Opening reserves and endowments		115,526	94,801
Total recognised gains for the year		21,133	20,725
Closing reserves and endowments		136,659	115,526

Balance Sheets as at 31 July

	Note	Consolidated		University	
		2013 £000	2012 £000	2013 £000	2012 £000
Fixed assets					
Tangible assets	10	105,370	108,224	105,614	108,468
Investments	11	30	30	59	59
		<u>105,400</u>	<u>108,254</u>	<u>105,673</u>	<u>108,527</u>
Endowment assets	12	<u>228</u>	<u>209</u>	<u>228</u>	<u>209</u>
Current assets					
Stock		47	49	37	38
Debtors	13	7,674	8,820	8,927	11,149
Investments	14	33,000	42,987	33,000	42,987
Cash at bank and in hand		36,236	25,120	35,291	24,112
		<u>76,957</u>	<u>76,976</u>	<u>77,255</u>	<u>78,286</u>
Less: creditors – amounts falling due within one year	15	<u>(17,684)</u>	<u>(21,088)</u>	<u>(18,808)</u>	<u>(23,097)</u>
Net current assets		<u>59,273</u>	<u>55,888</u>	<u>58,447</u>	<u>55,189</u>
Total assets less current liabilities		<u>164,901</u>	<u>164,351</u>	<u>164,348</u>	<u>163,925</u>
Less: creditors – amounts falling due after more than one year	16	<u>(583)</u>	<u>(8,921)</u>	<u>(583)</u>	<u>(8,921)</u>
Less: provisions for liabilities	18	<u>(5,328)</u>	<u>(5,559)</u>	<u>(5,328)</u>	<u>(5,559)</u>
Total net assets excluding pension liability		<u>158,990</u>	<u>149,871</u>	<u>158,437</u>	<u>149,445</u>
Net pension liability	28	<u>(5,406)</u>	<u>(16,466)</u>	<u>(5,406)</u>	<u>(16,466)</u>
Total net assets including pension liability		<u>153,584</u>	<u>133,405</u>	<u>153,031</u>	<u>132,979</u>

Balance Sheets as at 31 July continued

	Note	Consolidated		University	
		2013 £000	2012 £000	2013 £000	2012 £000
Deferred capital grants	19	16,925	17,879	16,925	17,879
Endowments					
Expendable		42	41	42	41
Permanent		186	168	186	168
	20	228	209	228	209
Reserves					
Income and Expenditure account excluding pension reserve		123,628	112,931	123,075	112,505
Pension reserve	28	(5,406)	(16,466)	(5,406)	(16,466)
Income and Expenditure account including pension reserve	21	118,222	96,465	117,669	96,039
Revaluation reserve	22	18,209	18,852	18,209	18,852
Total reserves		136,431	115,317	135,878	114,891
Total funds		153,584	133,405	153,031	132,979

The Financial Statements on pages 22 to 52 were approved by the Board of Governors on 15 November 2013 and were signed on its behalf by:



Chair of Governors



Vice-Chancellor

Consolidated Cash Flow Statement

	Note	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Net cash inflow from operating activities	23	12,406	13,458
Returns on investments and servicing of finance	24	439	239
Capital expenditure and financial investment	24	(2,486)	(1,898)
Management of liquid resources	24	9,987	(9,939)
Financing	24	(3,807)	(926)
Increase in cash in the year		16,539	934
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		16,539	934
Change in short-term deposits		(9,987)	9,939
Change in debt		3,807	926
Change in net funds		10,359	11,799
Net funds at 1 August		58,288	46,489
Net funds at 31 July	25	68,647	58,288

Notes to the Financial Statements, year ended 31 July 2013

1 FUNDING BODY GRANTS

	2013	2012
	£000	£000
Recurrent grants		
Higher Education Funding Council for England	36,676	50,550
Training and Development Agency	–	8
Specific grants		
Higher Education Innovation Fund	1,334	1,117
Transition Funding	367	–
Research Capital Investment Fund	145	–
Access and Widening Participation	10	75
Joint Information Systems Committee Fund	122	102
National Teaching Fellowships	13	23
Teaching Capital Investment Fund	–	106
Strategic Development Fund	–	164
Pathfinder	–	22
CETL	–	3
Other	20	3
Deferred capital grants released in year		
Buildings (note 19)	200	202
Equipment (note 19)	912	1,332
	<u>39,799</u>	<u>53,707</u>

2 TUITION FEES AND EDUCATION CONTRACTS

	2013	2012
	£000	£000
Full-time home and EU students	34,420	25,406
International students	7,765	12,094
Part-time students	6,530	5,959
Education contracts	19,505	19,451
	<u>68,220</u>	<u>62,910</u>

3 RESEARCH GRANTS AND CONTRACTS

	2013	2012
	£000	£000
Research Councils	493	603
UK-based charities	205	215
UK central government	296	351
UK Health Service	376	594
European Commission	1,469	898
Other grants and contracts	228	201
	<hr/> 3,067	<hr/> 2,862

4 OTHER INCOME

	2013	2012
	£000	£000
Residences, catering and conferences	4,245	4,073
Other income-generating activities	646	662
Other grant income	3,946	3,816
Release from deferred capital grants (note 19)	404	415
Other income	3,265	3,188
	<hr/> 12,506	<hr/> 12,154

5 ENDOWMENT AND INVESTMENT INCOME

	2013	2012
	£000	£000
Income from permanent endowments (note 20)	5	5
Income from short-term investments	770	723
Pension finance return (note 28)	797	–
	<hr/> 1,572	<hr/> 728

6 STAFF

	2013	2012
	£000	£000
Staff costs		
Wages and salaries	58,555	59,106
Social security costs	4,769	4,802
Other pension costs (including FRS 17 – note 28)	8,150	9,498
Increase in the provision for enhanced pensions (note 18)	151	540
Restructuring costs	785	1,201
	<hr/> 72,410	<hr/> 75,147

Emoluments of the Vice-Chancellor

	£	£
Salary	218,489	215,059
Non-consolidated bonus	35,000	–
Benefits in kind	17,032	17,517
	<hr/> 270,521	<hr/> 232,576
Pension costs (on the same basis as for other academic staff)	30,807	30,323
	<hr/> 301,328	<hr/> 262,899

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

	2013	2012
	number	number
£100,000 - £109,999	1	1
£110,000 - £119,999	1	3
£120,000 - £129,999	1	1
£130,000 - £139,999	2	–
	<hr/>	<hr/>

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

Academic and research	716	732
Administrative and technical	769	837
Other	169	146
	<hr/> 1,654	<hr/> 1,715

7 INTEREST AND OTHER FINANCE COSTS

	2013	2012
	£000	£000
Bank loans not wholly repayable within five years	50	58
Finance leases	225	372
Pension finance cost	–	77
	<u>275</u>	<u>507</u>

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	2013	2012
	£000	£000
Academic departments	58,702	65,538
Academic services	13,961	11,900
Research grants and contracts	2,655	2,385
Residences, catering and conferences	3,829	3,718
Premises	11,870	11,734
Administration	17,987	18,495
Other	5,949	7,231
	<u>114,953</u>	<u>121,001</u>

Other operating expenses include

External auditor's remuneration in respect of audit services	50	44
External auditor's remuneration in respect of non-audit services	35	5
Operating lease rentals		
Land and buildings	976	919
Equipment	112	158
	<u>114,953</u>	<u>121,001</u>

9 SURPLUS ATTRIBUTABLE TO PARENT UNDERTAKING

The surplus dealt with in the accounts of the parent undertaking was £10,082,000 (2012: £11,289,000).

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
Consolidated Cost/Valuation	£000	£000	£000	£000	£000
At 1 August 2012	138,996	1,161	137	21,852	162,146
Additions in year	914	198	116	1,178	2,406
Disposals in year	–	–	(81)	–	(81)
Transfers in year	1,152	(1,161)	–	9	–
Written off in year	–	–	–	(792)	(792)
At 31 July 2013	141,062	198	172	22,247	163,679
Depreciation					
At 1 August 2012	35,028	–	103	18,791	53,922
Charge for year	3,291	–	37	1,914	5,242
Disposals in year	–	–	(63)	–	(63)
Written off in year	–	–	–	(792)	(792)
At 31 July 2013	38,319	–	77	19,913	58,309
Net Book Value At 31 July 2013	102,743	198	95	2,334	105,370
At 31 July 2012	103,968	1,161	34	3,061	108,224

10 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 2012	139,359	1,161	137	20,498	161,155
Additions in year	914	198	116	1,178	2,406
Disposals in year	–	–	(81)	–	(81)
Transfers in year	1,152	(1,161)	–	9	–
Written off in year	–	–	–	(792)	(792)
At 31 July 2013	141,425	198	172	20,893	162,688
Depreciation					
At 1 August 2012	35,028	–	103	17,556	52,687
Charge for year	3,291	–	37	1,914	5,242
Disposals in year	–	–	(63)	–	(63)
Written off in year	–	–	–	(792)	(792)
At 31 July 2013	38,319	–	77	18,678	57,074
Net Book Value At 31 July 2013	103,106	198	95	2,215	105,614
At 31 July 2012	104,331	1,161	34	2,942	108,468

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

10 TANGIBLE FIXED ASSETS continued

At 31 July 2013 the net book value of freehold land and buildings, for the group and the University, includes £nil (2012: £772,000) in respect of assets held under finance leases. The depreciation charge for the year on these assets was £nil (2012: £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	90,251	198	172	22,247	112,868
At 31 July 2013	141,062	198	172	22,247	163,679
University					
1997 Professional Valuation	48,167	–	–	–	48,167
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	90,614	198	172	20,893	111,877
At 31 July 2013	141,425	198	172	20,893	162,688

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	
	2013 £000	2012 £000	2013 £000	2012 £000
Cost	115,720	113,654	116,024	113,958
Accumulated depreciation and impairment	(31,181)	(28,533)	(31,181)	(28,533)
Net book value	84,539	85,121	84,843	85,425

11 FIXED ASSET INVESTMENTS

	Other Investments £000		
Consolidated			
Cost			
At 31 July 2013 and 31 July 2012	30		

	Other Investments £000	Subsidiary Undertakings £000	Total £000
University			
Cost			
At 31 July 2013 and 31 July 2012	30	29	59
	-----	-----	-----

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

Subsidiary Undertaking	Nature of Business	Shareholding
University of Teesside Enterprises Limited (Registered in England and Wales)	Commercial activities, enterprise, trading and liaison with industry and commerce.	Limited by guarantee
Teesnap Limited (Registered in England and Wales)	To provide and promote educational and training services relating to nursing, midwifery and associated professions allied to medicine, dental hygiene, dental therapy and to provide management services related to the aforementioned.	100% Ordinary Shares (Issued share capital – £100)
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.

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

At 1 August 2012	209
Additions	24
Disposals	(29)
Net appreciation on disposals and on revaluation	17
Increase in cash balances held for endowment funds	7

At 31 July 2013**228**

Valuation at 31 July 2013 £000	Valuation at 31 July 2012 £000
---	--------------------------------------

Fixed interest stocks	–	5
Equities	134	117
Bank balances	94	87
Total endowment asset investments	228	209
Fixed interest stocks and equities at cost	89	124

13 DEBTORS

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Debtors	4,920	3,195	4,548	3,128
Prepayments and accrued income	2,754	5,625	2,711	5,568
Amounts due from subsidiary undertakings	–	–	1,668	2,453
	7,674	8,820	8,927	11,149

14 INVESTMENTS

	Consolidated and University	Consolidated and University
	2013	2012
	£000	£000
UK Government Treasury Bills	–	9,987
Deposits maturing in one year or less	33,000	33,000
	<hr/> 33,000 <hr/>	<hr/> 42,987 <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 2013 the weighted average interest rate of these fixed rate deposits was 1.48% and the remaining weighted average period for which the interest rate is fixed on these deposits was 49 days. The fair value of these deposits was not materially different from the book value.

15 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2013	2012	2013	2012
	£000	£000	£000	£000
Mortgages and unsecured loans	100	642	100	642
Obligations under finance leases	–	343	–	343
Payments received on account	5,550	6,289	4,148	5,554
Creditors	4,859	5,875	4,859	5,872
Social security and other taxation payable	1,528	1,564	1,526	1,560
Accruals and deferred income	5,647	6,375	5,576	6,340
Amounts due to subsidiary undertakings	–	–	2,599	2,786
	<hr/> 17,684 <hr/>	<hr/> 21,088 <hr/>	<hr/> 18,808 <hr/>	<hr/> 23,097 <hr/>

16 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2013	2012	2013	2012
	£000	£000	£000	£000
Loans secured on residential and other property repayable by 2022	583	6,100	583	6,100
Obligations under finance leases (note 17)	–	2,821	–	2,821
	<hr/> 583 <hr/>	<hr/> 8,921 <hr/>	<hr/> 583 <hr/>	<hr/> 8,921 <hr/>

17 BORROWINGS

a Bank loans and overdrafts

	Consolidated and University	Consolidated and University
	2013	2012
	£000	£000
Bank loans and overdrafts are repayable as follows:		
Within one year	100	642
Between one and two years	100	642
Between two and five years	300	1,926
In five years or more	183	3,532
	<u>683</u>	<u>6,742</u>

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

During the year the University entered into a formal set-off arrangement with Lloyds Bank in respect of a loan facility. At 31 July 2013 the amount of the loan outstanding was £5,416,656 with the equivalent amount being held on deposit by the bank. The interest rate charged on the loan is 0.25% above Bank of England Base Rate.

b Finance leases

	Consolidated and University	Consolidated and University
	2013	2012
	£000	£000
The net finance lease obligations to which the University is committed are:		
Within one year	–	343
Between one and two years	–	409
Between two and five years	–	2,412
	<u>–</u>	<u>3,164</u>

The finance lease related to academic and student accommodation and was bought out by the University during the year ended 31 July 2013.

18 PROVISIONS FOR LIABILITIES

Consolidated and University	Enhanced pensions £000
At 1 August 2012	5,559
Increase	151
Utilised in year	(382)
At 31 July 2013	5,328

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 2013	31 July 2012
Discount rate	3.3%	2.4%
Inflation	2.4%	1.6%

19 DEFERRED CAPITAL GRANTS

Consolidated and University	HEFCE £000	Other Grants £000	Total £000
At 1 August 2012			
Buildings	5,092	10,720	15,812
Equipment	1,250	817	2,067
Total	6,342	11,537	17,879
Cash received and receivable			
Buildings	–	–	–
Equipment	555	7	562
Total	555	7	562

19 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	299	499
Equipment (notes 1 and 4)	912	105	1,017
Total	1,112	404	1,516
At 31 July 2013			
Buildings	4,892	10,421	15,313
Equipment	893	719	1,612
Total	5,785	11,140	16,925

20 ENDOWMENTS

Consolidated and University	Restricted Expendable £000	Restricted Permanent £000	2013 Total £000	2012 Total £000
At 1 August 2012				
Capital	39	58	97	97
Accumulated income	2	110	112	110
	<u>41</u>	<u>168</u>	<u>209</u>	<u>207</u>
Investment income	1	4	5	5
Expenditure	–	(3)	(3)	(3)
	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
Increase in market value of investments	–	17	17	–
At 31 July 2013	42	186	228	209
Represented by				
Capital	39	75	114	97
Accumulated income	3	111	114	112
	<u>42</u>	<u>186</u>	<u>228</u>	<u>209</u>

20 ENDOWMENTS continued

Consolidated and University	Restricted Expendable £000	Restricted Permanent £000	2013 Total £000	2012 Total £000
Analysis by type of purpose:				
Lectureships	11	–	11	11
Prize funds	13	6	19	21
Scholarships and bursaries	18	31	49	48
Research support	–	149	149	129
	<u>42</u>	<u>186</u>	<u>228</u>	<u>209</u>

Major endowments

Restricted permanent endowments include one major individual fund:

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

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

	£000
At 1 August 2012	129
Investment income	4
Expenditure	(2)
Increase in market value of investments	18
At 31 July 2013	<u>149</u>

21 INCOME AND EXPENDITURE ACCOUNT

	Consolidated £000	University £000
At 1 August 2012	96,465	96,039
Surplus retained for the year	10,209	10,082
Transfer from revaluation reserve	643	643
Actuarial gain in respect of pension scheme	10,905	10,905
At 31 July 2013	<u>118,222</u>	<u>117,669</u>

22 REVALUATION RESERVE

	Consolidated and University £000
At 1 August 2012	18,852
Transfer to Income and Expenditure Account	(643)
	<hr/>
At 31 July 2013	18,209
	<hr/>

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

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

	2013 £000	2012 £000
Surplus after depreciation of assets at valuation and before tax	10,211	11,360
Depreciation and write offs	5,242	5,458
Deferred capital grants released to income	(1,516)	(1,949)
Investment income	(775)	(728)
Interest payable	275	430
Profit on sale of fixed assets	(18)	–
Pensions cost less contributions payable	(155)	1,871
Decrease/(increase) in stocks	2	(7)
Decrease in debtors	1,207	855
Decrease in creditors	(1,836)	(4,005)
(Decrease)/increase in provisions	(231)	173
	<hr/>	<hr/>
Net cash inflow from operating activities	12,406	13,458
	<hr/>	<hr/>

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

	2013	2012
	£000	£000
Returns on investments and servicing of finance		
Income from endowments	5	5
Interest received	709	665
Interest element of finance lease rental payments	(225)	(372)
Other interest paid	(50)	(59)
	<u>439</u>	<u>239</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,880)	(2,158)
Endowment funds invested	(24)	–
Sale of tangible fixed assets	36	–
Sale of endowment asset investments	29	7
Deferred capital grants received	353	253
	<u>(2,486)</u>	<u>(1,898)</u>
Management of liquid resources		
Net movement in short-term deposits	9,987	(9,939)
Financing		
Repayment of bank loan	(643)	(641)
Repayment of finance lease	(3,164)	(285)
	<u>(3,807)</u>	<u>(926)</u>

25 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2012 £000	Cash Flows £000	Other Non-cash Changes £000	At 31 July 2013 £000
Cash at bank and in hand				
Endowment assets	87	7	–	94
Other	25,120	16,532	(5,416)	36,236
	<hr/>	<hr/>	<hr/>	<hr/>
	25,207	16,539	(5,416)	36,330
Short-term deposits	42,987	(9,987)	–	33,000
Debt due within 1 year	(642)	642	(100)	(100)
Debt due after 1 year	(6,100)	1	5,516	(583)
Finance leases	(3,164)	3,164	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	58,288	10,359	–	68,647
	<hr/>	<hr/>	<hr/>	<hr/>

26 LEASE OBLIGATIONS

	Consolidated and University 2013 £000	Consolidated and University 2012 £000
At 31 July the annual commitments under operating leases were as follows:		
Buildings		
Expiring within one year	946	959
Equipment		
Expiring within one year	40	71
Expiring between one and two years	41	–
Expiring between two and five years	54	63
	<hr/>	<hr/>
	1,081	1,093
	<hr/>	<hr/>

27 FUTURE CAPITAL COMMITMENTS

	Consolidated and University 2013 £000	Consolidated and University 2012 £000
Commitments contracted at 31 July	298	878
	<hr/>	<hr/>

28 PENSION SCHEMES

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme England and Wales (TPS) and the Local Government Pension Scheme (LGPS), established locally as the Teesside Pension Fund (TPF). Six members (2012: six) of staff are members of the Universities Superannuation Scheme.

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

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
TPS: contributions paid	4,073	4,162
TPF: charge to the Income and Expenditure account	4,002	5,304
Contributions paid to other pension schemes	75	32
Total Pension Cost (note 6)	8,150	9,498
Outstanding pension contributions at 31 July	1,022	948

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

Teesside Pension Fund

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

For the TPF, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The contribution payable by the employer was increased from 14.7% to 15.1% of pensionable salaries from April 2013.

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 2013.

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.

28 PENSION SCHEMES continued

A full actuarial valuation was carried out at 31 March 2010 and updated to 31 July 2013 on an FRS 17 basis by a qualified independent actuary. The material assumptions used by the actuary for FRS 17 at 31 July were:

	2013	2012
	%	%
Price increases	3.4	2.6
Salary increases	3.4	2.6
Pension increases	2.5	1.8
Discount rate	4.5	3.9

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

	2013	2012
	Years	Years
Retiring today		
Males	19.2	19.0
Females	23.2	23.1
Retiring in 20 years		
Males	21.1	21.0
Females	25.1	25.0

The Scheme actuary employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 July 2013.

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

	2013		2012	
	Share of assets	Long-term return	Share of assets	Long-term return
	%	%	%	%
Equities	79.0	7.8	77.7	5.9
Gilts	6.0	3.3	7.4	2.8
Other bonds	1.7	4.0	2.1	3.9
Property	5.1	7.3	5.4	5.4
Cash	5.3	0.9	4.5	0.5
Other	2.9	7.8	2.9	5.9

28 PENSION SCHEMES continued

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

	2013	2012
	£000	£000
Analysis of the amount shown in the balance sheet		
University's estimated asset share	122,124	100,269
Present value of the University's estimated share of scheme liabilities	(127,530)	(116,735)
	<hr/>	<hr/>
Deficit in the scheme – (Net pension liability)	(5,406)	(16,466)
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	4,002	5,143
Losses on curtailments	–	139
Past service cost	–	22
	<hr/>	<hr/>
Total operating charge	4,002	5,304
Analysis of amount credited to other finance income (2012 charged to interest payable)		
Expected return on pension scheme assets	5,409	6,384
Interest on pension scheme liabilities	(4,612)	(6,461)
	<hr/>	<hr/>
Net return/(charge)	797	(77)
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	14,023	(4,468)
Changes in assumptions underlying the present value of the scheme liabilities	(3,118)	13,833
	<hr/>	<hr/>
Actuarial gain recognised in STRGL	10,905	9,365
Movement in deficit during the year		
Deficit in the scheme at 1 August	(16,466)	(23,960)
Movement in year:		
Current service costs	(4,002)	(5,143)
Losses on curtailments	–	(139)
Past service costs	–	(22)
Contributions	3,360	3,510
Other finance income/(costs)	797	(77)
Actuarial gain	10,905	9,365
	<hr/>	<hr/>
Deficit in scheme at 31 July	(5,406)	(16,466)

28 PENSION SCHEMES continued

	2013	2012
	£000	£000
Analysis of the movement in the present value of the scheme liabilities		
At 1 August	116,735	119,675
Current service cost	4,002	5,143
Interest cost	4,612	6,461
Contributions by scheme participants	1,604	1,600
Actuarial gains and losses	3,118	(13,833)
Benefits paid less individual transfers in	(2,541)	(2,472)
Losses on curtailments	–	139
Past service cost	–	22
	<hr/> 127,530	<hr/> 116,735

Analysis of movement in the market value of the scheme assets

At 1 August	100,269	95,715
Expected rate of return on scheme assets	5,409	6,384
Actuarial gains and losses	14,023	(4,468)
Contribution by the employer	3,360	3,510
Contributions by scheme participants	1,604	1,600
Benefits paid less individual transfers in	(2,541)	(2,472)
	<hr/> 122,124	<hr/> 100,269

History of experience gains and losses – cumulative

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

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Present value of scheme liabilities	(127,530)	(116,735)	(119,675)	(100,260)	(96,801)
Scheme assets	122,124	100,269	95,715	83,580	68,513
Deficit	<hr/> (5,406)	<hr/> (16,466)	<hr/> (23,960)	<hr/> (16,680)	<hr/> (28,288)
Experience adjustments on scheme liabilities	–	–	1,424	–	–
Experience adjustments on scheme assets	14,023	(4,468)	3,140	6,926	(7,035)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £20,491,000 gain (2012: £9,586,000 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 2014 is £3,488,000.

The actual return on scheme assets in the year was £19,432,000 (2012: £1,916,000 return).

29 ACCESS FUNDS

	2013	2012
	£000	£000
HEFCE grants	576	608
Interest earned	2	3
	<hr/>	<hr/>
	578	611
Disbursed to students	(578)	(488)
	<hr/>	<hr/>
Balance unspent at 31 July	–	123
	<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.

30 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 £2,432 (2012: £1,203) 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 £734,000 (2012: £734,000) and other specific grants of £28,000 (2012: £27,000).

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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