

Inspiring success



Governors' Report and Financial Statements

for the year ended
31 July 2014



Foreword from the Chairman and Pro-Chancellor

I am delighted to be able to provide this introduction to our Governors' Report and Financial Statements for the first time as Chair of the University Board of Governors. The Report covers a period during which the University continued to make strong progress and put in place robust foundations designed to support our ambitious plans for the future. That progress is characterised by the award of a Queen's Anniversary Prize in 2014 for the excellence of our work with employers and in business engagement. It is one of a number of prestigious accolades received over the last year which every single member of the University community can take enormous pride in.

A central priority for our Board of Governors is, of course, ensuring the financial health and sustainability of the University. That has, again, been a feature of the last year and I am very pleased to see the results of our strong financial performance again ensuring the financial stability and resilience of the University, as well as enabling a number of major investments that will support the continued development of the University and its impressive campus.

Our sustained investment in the student experience puts us in a great position to successfully meet the challenges and opportunities of the future, as we consolidate our position in the higher education sector as a thriving and successful university. That position requires strong and effective leadership and I have been very pleased at the appointment of three new members of the Vice-Chancellor's Executive in Professor Liz Holey, Pro-Vice Chancellor (Quality) and University Secretary (and Clerk to the Board), Malcolm Page, Deputy Chief Executive and Chief Operating Officer and Dr Aulay Mackenzie, Pro-Vice Chancellor (Partnerships). They have joined the executive team, which, under the leadership of Vice-Chancellor and Chief Executive, Professor Graham Henderson CBE DL, is taking the University forward to successfully exploit a wide range of new opportunities.

Our history is based upon nearly 85 years of serving our communities. In 2015 it will be 85 years since our predecessor institution Constantine College opened its doors and I know that all the University community look forward to building on that legacy and taking the University to even greater success in the future.

I am pleased to commend our Annual Report to you.



Alastair MacColl

Board of Governors

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

Independent Members

Mr Sandy Anderson OBE DL FREng (Chairman until 17 January 2014)

Mr Robin Bloom

Mr Paul Booth OBE

Ms Alison Clark-Jenkins

Mr Bob Cuffe

Mr Chris Fleetwood (Treasurer)

Professor Tricia Hart

Mr David Heaton OBE

Mr John Irwin

Ms Shahda Khan MBE

Ms Sue Kiddle

Mr Alastair MacColl (appointed Chair and Pro-Chancellor with effect from 17 January 2014)

Mr Keith Robinson (resigned with effect from 17 January 2014)

Ms Amanda Skelton

Mrs Alison Thain OBE (resigned with effect from 17 January 2014)

Vice-Chancellor and Chief Executive

Professor Graham Henderson CBE DL

Staff and Student Representatives

Mr David Eagle

Ms Lynn Percy

Mr John Pinkney (resigned with effect from 4 July 2014)

Mr Will Ridley (appointed with effect from 4 July 2014)

Dr Mark Simpson

Co-opted Members

Mr Darren Winter (appointed with effect from 9 May 2014)

Mr Steve Tonks (appointed with effect from 15 November 2013)

Mr Edward Kunonga (appointed with effect from 9 May 2014)

Mr Alastair Waite (appointed with effect from 15 November 2013)

Mr John Hogg

Clerk

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

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

Secretary

Mr Mark White

Contents

Foreword from the Chairman and Pro-Chancellor	1
Board of Governors	2
Operating and Financial Review	4
Corporate Governance	18
Statement of Internal Control	21
Independent Auditor's Report to the Board of Governors of Teesside University	22
Statement of Principal Accounting Policies	23
Consolidated Income and Expenditure Account	26
Statement of Group Historical Cost Surpluses and Deficits	27
Statement of Group Total Recognised Gains and Losses	28
Balance Sheets as at 31 July 2014	29
Consolidated Cash Flow Statement	31
Notes to the Financial Statements, year ended 31 July 2014	32

Operating and Financial Review

Introduction

Teesside University was founded in 1930 as Constantine College and became Teesside Polytechnic in 1969. It was re-designated 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: tuition fees, grants from the HEFCE and contracts with the National Health Service (NHS).

- **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.**
- **The HEFCE has historically been the major public sector funder of HEIs. Due to Government policy of moving the balance of their investment in higher education funding from grants to fee loans for students, the balance of University income has shifted from majority HEFCE funding to majority tuition fee funding. However, the University, in common with all other HEIs, remains accountable to the HEFCE for expenditure of public funds. The relationship between the University and the HEFCE is codified in the Financial Memorandum (from 1 August 2014 replaced with the Memorandum of Assurance and Accountability) which sets out the rights and responsibilities of both parties.**
- **Health Education England (HEE) is the national commissioning body for NHS-funded education which commissions programmes and other academic activity on behalf of a wide range of healthcare professionals.**

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 to be amongst the UK's top institutions of HE 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.

In parallel with the pursuit of its mission and vision, the University fully recognises the growing importance of trying to provide all of its students, partners and clients with the most up-to-date, well-resourced and high quality experience possible. It has embarked upon an ambitious programme of further campus and facilities investment and development to ensure that students and employers will have access to an even higher quality and more vibrant learning environment in the future. The programme of developments that is underway has been designed to deliver step change improvements across all formal, informal and social environments in order to provide students with an outstanding overall learning experience.

Equally, the University continues to place high priority on working with employers for the benefits of both the organisations themselves and the local and regional economy. Our approach is to work creatively with employers to seek to tackle the real-world challenges that they face and use the experiences and insights gained to fully exploit the relationships between business engagement, knowledge exchange, research and student learning – each informing the other, for the benefit of students, business partners, staff and the social, economic and cultural future of the region. The University continues to enjoy a growing national reputation for this aspect of its work and within the last twelve months was both shortlisted, for the third time, as the most entrepreneurial University in the UK whilst also receiving the prestigious award of a Queen's Anniversary Prize.

Teesside is proud to be an organisation that values and sees the benefits of partnership and, in addition to its strong partnership with business, it also enjoys a large, strong and mature partnership with other providers both overseas and within the further education sector. The recent expansion of the University's partnership network with the Further Education (FE) sector, to embrace a number of new partners across the whole of the wider North East area from Newcastle to South Yorkshire, has resulted in the University now boasting what is

widely recognised as one of the strongest and most vibrant strategic partnerships with the FE sector in the country.

The senior management team of the University, with the full endorsement of the Board, has also recently agreed a major programme of curriculum and activity expansion focussed around a number of dimensions of growth. Priority is being given to the expansion of the University's full time undergraduate portfolio, the further expansion of our international student numbers (both within the university and overseas) and the diversification of our modes of learning delivery, with particular emphasis being given to the expansion of technology supported e-learning approaches.

This strategy for growth will be supported by an extensive Estates programme over the next three years which will see in excess of £50m invested in our estate. This will include an iconic state-of-the-art five storey teaching building at the heart of a new pedestrianised and landscaped centre to our campus, major investments in our science and engineering and sports and exercise facilities, as well as further investment in our library and student accommodation offer.

This year has also seen excellent progress on the transition of the Middlesbrough Institute of Modern Art (mima) to the University, with formal transfer taking place on the 1 September 2014. The University will continue to build on, and develop, the local, national and international artistic and cultural reach and reputation of mima, as well as ensuring that it provides opportunities for students from many parts of the University to experience a new learning environment and a range of different and highly innovative learning approaches.

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; and
- **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.

Future developments:

- **The Institutional Plan for 2015 onwards is currently being written, in consultation with the University community, including Governors.**

Public Benefit Statement

The University's charitable objects are set out in Section 124 of the Education Reform Act 1988. They include powers to provide 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 latest guidance on the reporting of public benefit and, in particular, the supplementary guidance about the advancement of education.

There are two key principles of public benefit. First, there must be an identifiable

benefit. Second, the benefit(s) must be to the public, or to a sufficient section of the public and not give rise to incidental personal benefit.

Teesside University is committed, in principle and in practice, to the economic, social and cultural success of the communities it serves. The University's commitment to community engagement, which is widely acknowledged, is outlined in the University's Corporate Social Responsibility Framework. Continued working with communities and businesses is central to our purpose. Efforts are made to ensure that incidental individual benefit does not arise from University activities through policies, procedures, checks and balances.

The University prioritises the overall quality of the student experience, and strives to sustain an excellent, supportive and friendly environment through which students are enabled to achieve. The University offers its students an extensive range of accessible learning resources and remains heavily committed to providing additional opportunities to maximise the employability of students, including placements and internships. The Quality Assurance Agency (QAA) for Higher Education has acknowledged the University's track record of success in widening participation, leading to outstanding levels of social mobility, both in its own right and through its strong and expanding partnership network with local and regional Further Education colleges.

Teesside University continues to play a critical role in helping to deliver the Strategic Economic Plan of the Tees Valley Local Enterprise Partnership, having created a thriving cluster of digital and creative businesses in the Tees Valley through the DigitalCity project. In addition, through its deep and wide ranging engagement with industry, the University continues to positively and proactively work to fill knowledge and skill gaps identified by employers across a number of other sectors of key importance to the local and regional economy. In this context, work is well underway to establish a major business hub at the University campus in Darlington to enable further expansion and enhancement of University business engagement activities, ensuring the University continues to make a major contribution to developing businesses and

growing the economy in Tees Valley and beyond. The successes of this activity is reflected in the University's recent receipt of a Queen's Anniversary Prize for business engagement, and the University having been shortlisted for the third time in four years as the *Times Higher Education* Entrepreneurial University of the Year.

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. The University continues to deliver a range of initiatives designed to drive up both aspirations and levels of educational participation across the Tees Valley, the wider North East, Yorkshire and Humberside and the North West.

The University's Passport Scheme continues to offer impartial information and support to over 3,000 Passport students per annum in its 33 institutional members through a range of activities designed to enable students to make informed decisions.

In 2013-14, activities were delivered to over 14,000 pre-16 students and over 32,000 prospective post-16 students. We also engaged over 8,500 influencers (parents/guardians and teachers) in different settings, helping them to gain the information required to effectively support students at different points throughout their educational journey.

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

The Year 12 Residential Summer School was a resounding success with over 80 students taking part and stating that the majority are more likely to attend Teesside University as a result of this experience.

The placement of student ambassadors into schools and colleges, plus the recruitment of two graduate interns, has helped to provide young people across the

region with positive role models to support higher attainment and aspiration.

The Summer University programme continues to make a substantial contribution to the University's recruitment of mature and non-standard entrants with an average progression to full and part-time programmes of over 35%.

The University open days in October 2013 and June 2014 brought over 3,000 prospective students and their families on to the campus. After the open day, 61% of visitors stated they would definitely choose to study at Teesside University. The University has also attracted 1,100 students to part-time and postgraduate events, both on and off campus.

The University is providing sessions off campus to support employees who are unable to come out of work to find out relevant information. This work has been highlighted as a good practice case study within the National Strategy for Access and Student Success.

Future developments:

- Expanding initiatives within the work undertaken with the BME community, students with disabilities and looked after young people.
- Extension of postgraduate and part-time communications and activities/support.
- Enhanced number of placements for student ambassadors and graduate interns in schools and colleges
- Further development of the e-mentoring programme to increase the reach of the pre-application activity.

- A further increase in the number of pre-16 students and primary schools, engaged to support recruitment into key post 16 institutions.

Darlington Campus

The University took the decision during the year to rebrand its business engagement activity and to designate the Darlington campus as its front door for the business sector and location for the creation of a major business hub. This development, which directly supports the recommendations of the *Witty Review*, will be rolled out in 2014-15. The major redevelopment of Central Park Darlington as a technology hub, with the University campus and National Biologics Manufacturing Centre at its heart, offers significant opportunities for the attraction and growth of high-value businesses.

Other developments at Darlington included:

- partnership with private sector organisation Modus and Darlington College to establish C-State, an organisation to provide industry relevant subsea engineering programmes for industry
- monthly Business Exchange, bringing business leaders together to hear and question prominent national and regional speakers
- delivery of the University's accredited and non-accredited leadership and management offer for large and small companies.

Following a Memorandum of Understanding signed with Nifco in February 2014 for the



mutual development of research, innovation and skills, the University has been working closely with the company on a key account management basis to support its growth plans. Activities have included delivery of engineering and leadership and management programmes, and active involvement in strategic workforce development planning.

In summer 2014, the University partnered with international digital data company Clicksco on a 12 week programme which saw ten students form three companies. The students, who received expert guidance and mentoring from industry specialists, used lean start-up business practices to develop their business products. Following completion of the Clickcelerate programme, one team launched a mobile app on Apple's App Store and another formed another company with the help of a DigitalCity Fellowship.

Social enterprise developments were extensive during the year and included more financial support from UnLtd, the social enterprise agency working with HEFCE for grants to support staff and student engagement. The University also led on a successful application for a regional universities' project to develop a sustainable social enterprise infrastructure.

Future developments:

- **Implementation and development of a business development hub on the Darlington campus.**
- **Continued extension of academic activity at Darlington including postgraduate, accredited and part-time provision linked to business.**

UK Student Recruitment

Following several years of growth, the 2013 recruitment cycle delivered another increase in the number of new full-time undergraduate entrants to the institution. The University performed well in attracting and retaining high achieving (AAB+ or equivalent) students, and increased numbers of students recruited to 'top-up' courses. The University also, once again, fully met its NHS contract, with the part-time contracted provision increasing this year. However, the University did not meet

its increased overall target, due in part to the allocation of additional funded student numbers late in the recruitment cycle.

The volatile sector-wide landscape for both postgraduate and part-time recruitment remained a challenge for the University in 2013 and despite a strong recruitment effort, enrolments on part-time programmes continued to decline. Conversely, following a revitalised marketing and recruitment effort, enrolments to full-time postgraduate programmes rose slightly.

The University has continued to invest in a range of scholarships and bursaries and has focussed its development programme on increasing the number of philanthropic scholarships (undergraduate and postgraduate) available to students in specific subject areas. This has helped address the concerns and apprehensions held by some sections of the market, and in particular some of the influencers of prospective students.

The undergraduate marketing campaign continued to build on very strong foundations and evolved further to speak to our target market. It focussed on asking our audience if they were Ready; ready for University, ready to make the next step in their lives. It resonated well with our prospective students and once again included positive case studies of successful graduates, emphasising our commitment to employability. The bespoke recruitment and marketing campaigns for postgraduate and part-time recruitment were further developed as the concerns over funding opportunities continued to have some impact on these potential markets.

Future developments:

- **Development of the University's curriculum offer to enhance recruitment in all modes and levels.**
- **A further significant increase in the level of targeted recruitment activity in the region.**
- **A widening of the recruitment footprint to attract applicants from areas which have evidenced a potential applicant base.**
- **Additional investment in targeted marketing activity, utilising platforms which are accessed by our target market.**
- **Working with partners to promote the towns and region in which the University is located.**

Educational Partnerships (UK Further Education)

The University is proud of its longstanding relationship with the five Tees Valley colleges – Darlington, Hartlepool, Middlesbrough, Stockton Riverside and Redcar & Cleveland – which together with the University form the Higher Education Business Partnership (HEBP). In 2013-14, the HEBP colleges recruited 515 full time students and 1,795 (1,021 FTE) part-time students to Teesside University programmes of study. In 2013-14 a total of 2,310 students were following Teesside University programmes at HEBP colleges. These courses provide important ladders of opportunity for progression to further higher level study with the University for students who might otherwise not access higher education.

Firm connections with business and industry ensure students are well prepared for employment in key business sectors, including Science, Technology, Engineering and Maths (STEM) areas.

Partnership work with the expanded partnership network of northern colleges, which includes some of the biggest colleges nationally, was consolidated in 2013-14, and further curriculum development took place throughout the year. Sixteen new programme approval events were held, all involving academic staff from across the University and external academic and practitioner experts from across the country.

As of October 2013, almost 3,000 students – 27% from low participation postcodes – enrolled with these partner colleges onto University awards for the first time, and added to our existing HEBP intake. There are now close to 5,000 FTE students studying on Teesside University awards off campus.

This work has been supported by further strengthening of the University's robust quality and enhancement processes for partnership working. We have also introduced and embedded technological systems to support student data collection and analysis, and to provide electronic resources for staff of our partner colleges.



In July we were proud to attend the *Times Higher Education* Leadership and Management awards, where the Educational Partnerships team was short listed in the Administration Team of the Year category.

The year was rounded off with the University's most successful Annual Higher Education in Further Education conference yet. Over 200 delegates enjoyed a variety of workshops provided by University and partner college staff and students, covering advances in teaching and learning, research and scholarly activity and work-based learning.

Future developments:

- Further consolidation and development of Northern Network of Colleges.
- Further considered expansion of our network of partner colleges.
- Lead additional approval events to further develop curricula at our partner colleges.
- Support partner colleges through the Higher Education Review process.

International Activity

The recovery of our international student numbers remains challenging. The reasons are multi-factorial and include the time needed to regain market position following the interruption of our ability to recruit international students; a number of countries from which the University has traditionally recruited students in the past are 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.

International student numbers have grown compared with the previous year but we believe that we can achieve more. A full review of our international strategy, the effectiveness of the recovery plan, the potential of new markets and the viability of the office network has been completed and a range of actions are now being

implemented. Transnational Education has continued to develop in a careful and controlled manner and is becoming an increasingly important part of the international strategy. Further growth is planned for future years to continue to grow this area of activity and associated revenue streams.

In 2013-14 the University operated from ten centres worldwide with 1,500 students actively engaged on our programmes. As a result, we will be holding six graduation ceremonies outside the UK this year in Europe, Africa and Asia.

Future developments:

- Implementation of a range of targeted activities to increase student recruitment and drive growth.
- As part of our commitment to continuous improvement, a detailed review of our handling of international admissions is being concluded, to ensure we are processing potential recruits as effectively and efficiently as possible.

Student Experience

We remain committed to providing an excellent student experience for all our students, and feedback confirms our success in this area. Overall, the satisfaction levels of students are consistently high, with further significant improvements recorded in a large number of programmes across the University (THE Student Experience Survey, 2014 and NSS, 2014). Teesside University is well placed in comparison to some of our sector competitors. In the latest 2014 National Student Survey, Teesside maintained an overall satisfaction score of 85%. It is pleasing to note that there has been a significant increase in satisfaction levels in relation to well-structured courses, but work continues to ensure curricula are designed to provide a coherent and obviously well organised student learning experience. High quality staff/ lectures and good personal relationships with staff also attract consistently positive feedback in these surveys. The friendliness of staff comes out over and over again in student comments.

- **Eight programmes recorded an overall satisfaction score of 100%.**
- **87% of our students would recommend Teesside University to others (National Student Survey 2014).**
- **Our international students also continue to report high levels of satisfaction with their experience at Teesside University, with overall satisfaction at 91% on the latest available International Student Barometer (2013).**

The campus is rapidly developing as a more modern learning environment, with much more provision for social and informal learning. Improvements in the library, which was already well rated, are also benefiting the student experience.

Recently, work has begun on some major estates projects, including new builds and refurbishment of existing rooms, which will have a positive impact on the student learning experience. During 2013-14 care was taken to ensure that each of these developments is being informed by a thorough consideration of modern approaches to learning and teaching. Some of the refurbished rooms are already ready for use and we hope to see the benefits of these developments in the coming year.

Projects such as the further development of the Learning Hub, the launch of the PASS Scheme and the establishment of Succeed@Tees Workshops are working together to improve student experience by providing support for students outside the classroom. These are being increasingly valued by students.

A well-received series of workshops on Enhancing Student Transitions, focused on ideas for enhancing students' first year experiences and supporting their successful transitions through their studies, helped staff to improve retention at these critical times in the student life cycle.

Future developments:

- **Targeted support to programmes where areas for development have been identified.**
- **Continued development and dissemination of systems and practices that improve NSS scores, particularly for timely high quality feedback and for course organisation.**
- **Maximising the potential of new buildings in terms of ensuring excellence in the student experience.**
- **Further enhanced provision of social learning spaces across campus.**
- **Continue to build on our excellent reputation as leaders in Student Retention and Transitions.**

Employability

Assisting students and graduates to access high-quality graduate opportunities remains a priority and the University continued to enhance its activity in support of the development of student employability throughout 2013-14. Building on the work started in 2012, the University has continued to offer a wide range of interventions to help our students develop skills so that when they graduate they have every chance of securing a graduate career start.

Work undertaken in 2013-14 to fully understand and consolidate these interventions will generate the roll out of a full **Get Ahead** Offer for 2014-5, which in its totality, aims to 'facilitate the development of our student body into the next generation of globally, socially and personally aware individuals, allowing them to make informed career choices and a greater contribution as Teesside University Graduates and Alumni'.

The **Get Ahead** Programme includes activities that will increase student awareness of Employability, Internationalisation and Sustainability:

- **All programmes are designed to incorporate employability, internationalisation and sustainability skills which are developed alongside the degree course. Staff utilise their extensive sector connections to provide many and varied opportunities to engage with potential employers through events and careers fairs, guest lecture sessions, live projects and site visits.**
- **In addition the University offers a series of workshops and events in the first, second and third year that ensure all students have the opportunity to develop both degree level subject knowledge PLUS the practical skills that employers are looking for in new graduate recruits.**
- **The University offer a range of paid employment opportunities in support of the development and delivery of some of these activities providing hands on experiences for some students.**

The Teesside Graduate Traits (Adaptable Articulate Aspiring Critical Creative Confident) are already embedded in the Learning Teaching and Student Experience strategy (LTSES), which looks to redefine the approach and commitment to transformative pedagogy ensuring students leave the institute well rounded and able to progress into the working world or into postgraduate study. These Teesside Graduate Traits develop alongside a set of specific Employee Attributes defined as desirable by employers: Analytical Ability, Application of ICT, Application of Numeracy, Teamworking, Business and Customer Awareness, Communication, Enterprise, Leadership, Networking, Problem Solving, Project Management and Self-Management.

Future developments:

- **Targeted support to programmes where areas for development have been identified.**
- **Activities to ensure the development of awareness and engagement with the full **Get Ahead** Offer for both staff and students, across all year groups and schools.**

Learning, Teaching and Academic Quality

Throughout 2013-14 Schools and Departments have continued to work together to implement the academic strategy and embed the core principles of the LTSES into curricular and extracurricular developments. Building on previous work, strong partnerships have been established with the Officers of the Student Union and the wider student body, and processes have been developed to ensure that students are engaged with decision making in all aspects of learning, teaching and academic quality.

A key focus of the learning and teaching agenda has been the development of our distance learning online capacity.

A dedicated team of web developers have supported pedagogical developments in bringing TUOL(E) to launch status for the 2014-15 academic year working with an external partner. A short experiential course designed to introduce staff to core principles of distance learning and provide hands on experience of using e-learning tools has been developed ready for a 2014-15 launch. The Department for Learning Development was successful in bidding for external funds (£108,000) to develop

distance learning materials for the 2014-15 academic year which will help with skills acquisition and reputation.

High quality teaching and student support remains at the core of our business and a number of initiatives have been developed to disseminate good practices and promote innovation in learning and teaching. The University has funded 6 projects through the Learning and Teaching Innovation Funds to enable staff to develop ideas and materials to enhance the student learning experience.

1. Peer Assisted Rescue Guides
2. Development of a Personal Impact Training Programme as a means of improving confidence amongst the School of Science & Engineering undergraduates
3. Supporting students' skills development with bespoke learning materials
4. Moving towards using feedback as a process to support students learning and development rather than it being an end product
5. An innovative and interactive Student User Guide for the Library that encompasses augmented reality and gamification as key design principles to engage its audience

6. Developing students' academic writing skills

The University also received competitive external funding to participate in a scheme piloting the Transforming Assessment approach being promoted by the HEA. The work done under this pilot focussed on the assessment of group work in the School of Science & Engineering. The new approach has been well received by staff and students and has been disseminated across the University and nationally.

Developments in both the physical and virtual learning environments have been rolled out in 2013-14. These include the refurbishment of a number of General Purpose Teaching rooms to facilitate collaborative and interactive learning styles.

Alongside this initiative increased and varied social learning spaces have been developed across the campus. The Virtual Learning Environment has been improved to ensure a more user accessible interface and spaces created to enable students to bring their own devices to enhance engagement with learning and in response to student demand a mobile app has been developed as an initial step towards a Learning Portal.



Staff excellence in teaching and learning has been recognised through externally and internally validated awards.

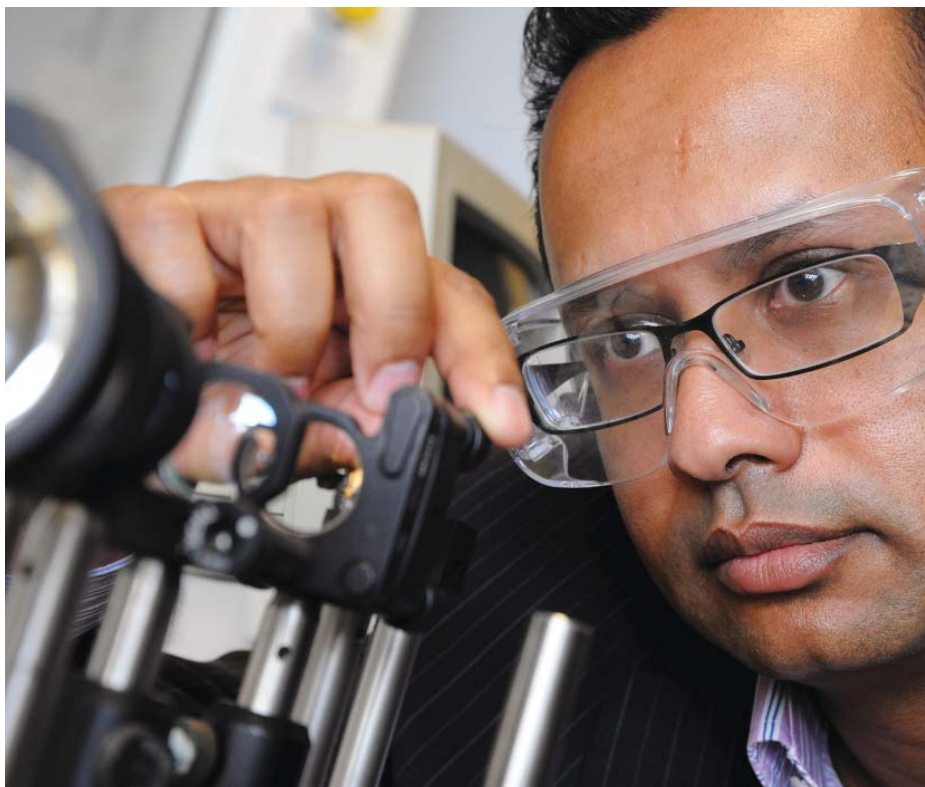
- **The University now has two Principal Fellows of the HEA and an increased number of Senior Fellows who act as mentors to other staff to continue our work towards the target of 95% of staff with a teaching qualification.**
- **We have gained reaccreditation of our UK Professional Standards Framework enabling us to make awards at all four levels of the framework.**

Teesside continues to be successful in gaining this highly competitive award of National Teaching Fellow (50 per year across the whole UK sector). In 2014 Tim Thompson from the School of Science & Engineering gained the award and joins other Teaching Fellows in helping to lead the learning and teaching network of the University.

A range of development activities are run throughout the year to support staff, programme teams, Schools and Departments with a range of learning and teaching priorities. This covers a broad range of areas: employability, assessment, personal tutoring and dissertation supervision. In particular, the successful 14th Annual Learning and Teaching Conference was held over two days in January 2014. For the first time, students were involved in the organisation of the conference, with one day being entirely focused on students.

Future developments:

- **Further development and launch of the new curricula including the University's distance learning offer and the rollout or TUOL(E).**
- **Ongoing enhancement of technology supported teaching and learning environments with support for staff to optimise their usage.**
- **Significantly accelerated and increased investment in General Purpose Teaching rooms and social learning spaces to foster innovative and collaborative teaching and learning and student engagement.**
- **Further support of the achievement of the University's goal of 95% of academic staff holding a recognised teaching qualification or equivalent.**
- **Workshops and other development activities on priority areas in learning teaching and quality for staff as needed.**
- **Co-ordination and hosting of the expanded 2015 Festival of Learning in partnership with students.**



Research

The University submitted to the 2014 Research Excellence Framework (REF) in November, encompassing research across all academic Schools. The results of REF will be made publicly available in December 2014.

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 research across the University and its co-production and application with a range of external partners in and beyond the UK.

Notable external funding awards include two projects supported under the last year of the European Community's Seventh Framework Programme (FP7). Both involve collaboration with industry, research institutes and universities. The CE-microArray project will develop a more sensitive, accurate and faster platform to diagnose the risk of developing sepsis, a life-threatening illness caused by the body's overreaction to an infection. The PYROCHAR project will support municipalities to deal with sludge arising from the treatment of waste water, by developing an energy-efficient and affordable process to convert this into re-usable charcoal and gas.

The University is also a partner in a five-year, multi-centre randomised controlled trial to compare treatment pathways for patients with a frozen shoulder, a condition which affects 10% of the UK adult population. This project is led by the University of York and funded by the National Institute for Health Research's Health Technology Assessment programme.

2013-14 also saw the award of Arts & Humanities Research Council funding to the Heritage Consortium, led by the University of Hull and with Teesside as one of seven partners to support PhD studentships in Heritage Studies. Students will benefit from a programme of training and support provided collaboratively by the consortium universities. Complementing this, the University held a new recruitment round to its own Doctoral Scholarships programme, advertising for new PhD students in key research areas. The first of this cohort will start in October.

Over the past year, the University has begun to develop the increased measures to ensure research integrity, set out in a new Framework and led by the Research Ethics and Integrity Committee, in response to important national initiatives in this area.

Future developments:

- **Developing the University's strategy for REF 2020, a process which has already begun.**
- **Targeting relevant strands of the new European research programme, Horizon 2020, and national funding programmes.**
- **Further development of innovative research degree routes to enhance the University's offer of higher degrees.**
- **Implementation of research integrity framework requirements across the institution.**

Business Engagement, Enterprise and Knowledge Transfer, and Workforce Development

Awards

- The University has been nominated again for the *Times Higher* Entrepreneurial University of the Year award – the second time in two years. The award relates to activity undertaken in 2012-13.



- The University was awarded the prestigious Queen's Anniversary Prize 2013 for Higher and Further Education, made by Her Majesty the Queen to the Vice-Chancellor at a special ceremony in Buckingham Palace in February 2014. The award, made biennially to a small number of universities and colleges who have made outstanding contributions to higher and further education, will stand for four years.

- The University's Graduate Enterprise Manager was presented with a national award for Outstanding Contribution to Business Incubation (UKBI). The award was made in recognition of the number of start-up businesses launched and the quality of support provided by the graduate enterprise team. During the year some 45 new start-ups were launched.
- Putting the Customer First accreditation for the University's business services was awarded in January 2014. This was the third such accreditation, and on each occasion the University must show how it has improved. The Darlington campus was included in the submission and award for the first time.

Innovation

- The University continued to develop its role as a provider of innovation services to business. A stronger focus on knowledge transfer resulted in a large pipeline of Knowledge Transfer Partnership (KTP) opportunities with companies, now translating into projects. The year ended with five live projects, six new approvals and some 10 KTPs in active development.
- The University also continued to deliver its own brand of knowledge transfer projects to North East SMEs, along with graduate internships, supported by the European Regional Development fund. This is now being extended for 2014-15 to North Yorkshire, following a successful pilot earlier this year.
- The University won the contract to manage the new Northshore Innovation Centre in Stockton, due to begin operation in spring 2015, and providing accommodation and innovation services to high-growth businesses in the scientific digital and creative sectors.
- In its role as leader of the Enterprise Europe Network North East, the University supported over 100 companies with research, technology and commerce development, and entered into a new partnership with Regional Technology Centre and Innovate UK (formerly the Technology Strategy Board) for a new phase of the network from 2015 to 2020.
- DigitalCity celebrated its tenth year in 2014, with a major event for businesses and stakeholders. Work began to review the strategy and forward plan for the next five years to embed and expand its role beyond start-ups as a provider of digital innovation and growth support for new and established businesses across all sectors.

- The year saw active involvement from senior to operational levels with Tees Valley Unlimited and partners, in the development of the area's Strategic Economic Plan and European Structural and Investment Funds Strategy. The University was represented on key boards and groups from the Leadership Board down, covering innovation, skills, business growth and start-up and incubation, and social innovation.
- The Resource Efficient Manufacturing Systems Research Centre, a partnership between the University, Centre for Process Innovation and Cambridge University Institute of Manufacturing, began operation from the campus during the year. The work of the centre will be key in underpinning manufacturing innovation and resource efficiency.
- The University organised and hosted a highly successful national annual KTP conference at Wynyard Hall in November 2013.

Future developments:

- **Launch of the University's new business brand, renaming of Academic Enterprise and the designation and operation of Darlington Campus as the front door for business to Teesside University and as a major business hub.**
- **Launch and operation of Northshore Innovation Centre, Stockton, by the University, in spring 2015.**
- **Development of the National Horizons Centre project to deliver key skills and innovation services particularly through digital technologies, to new and growing industries.**
- **Development of European funding opportunities for business services.**
- **KTP targets for 2014-15:**
 - Consolidate and develop DigitalCity as a thought leader and centre of digital expertise for new, growing and established businesses across a range of sectors
 - Develop an innovation funding support service for business.

Financial Performance

Key Financial Data	2013-14 £000	2012-13 £000
Total income	119,929	125,164
Total expenditure	114,576	114,953
Surplus for the year	5,350	10,209
Historical surplus for the year	6,202	10,854
Capital additions	5,536	2,406
Cash at bank and in hand including money market investments	72,217	69,236
Borrowings	583	683
Net assets excluding pension liability	161,255	158,990
Net assets including pension liability	126,575	153,584

Financial performance in 2013-14 was strong and robust, with financial performance ahead of budget for the year. A significant operating surplus was delivered and all financial KPIs in the Financial Strategy were met. This is a very pleasing and positive outcome for 2013-14 financial year, particularly considering the continued and increasing pressures and funding challenges faced by the University.

These pressures are demonstrated by the significant reduction in funding council grants. The University's teaching grant from HEFCE was some £18.5 million down on the previous year reflecting the phasing out of this grant as it is replaced by higher tuition fees and the significant reduction in targeted allocations relating to part time students.

In this context, the University proactively managed and tightly controlled its cost base to generate a surplus of £5.35m in 2013-14 delivering a significant margin on income. The historic cost surplus reflects the transfer from the revaluation reserve to the Income & Expenditure reserve in respect of a proportion of the depreciation on previously revalued properties.

Expenditure remained broadly at the same level as the previous year largely due to inflationary pressures and some 'one-off' items of expenditure, matched by the delivery of efficiencies as part of an ongoing cost reduction programme.

The University has embarked on a major capital programme for the 2014-17 period and the increase in expenditure on fixed assets in 2013-14 represents the starting phase of this investment programme, which will see in excess of £50m invested in student facing estates priorities.

Cash balances continue to remain very strong and healthy and borrowings are minimal. The planned capital programme will be funded out of existing reserves alongside the option of debt leverage if required.

Cash flow from operations for the year was £5.6million. The University invested £6.5million in term deposits due to improved rates being available compared to the rates on the instant access accounts, made repayments of bank loans of £0.6million and incurred net capital expenditure of £3.2million.

Net assets (excluding pension liability) increased by £2.3million to £161.3million due to an increase in net current assets of £1.7million and a small increase in fixed assets.

The University continues to be significantly affected by pension fund accounting with an actuarial loss in the Statement of Total Recognised Gains and Losses of £31.5million and a pension liability increase of £29.3million to £34.7million in the year. This follows the latest valuation updated on an FRS17 basis and primarily reflects changes in the material assumptions used by the actuary.

University Senior Management Structures

Having reassessed the strategic management priorities of the University, in the context of the University's rapidly changing operating environment, the Vice-Chancellor, with the support of the Board, moved to implement a new management structure. That revised senior management structure is now in place and the Vice-Chancellor is now supported by a Deputy Chief Executive, two Deputy Vice-Chancellors, two Pro Vice-Chancellors and two Assistant Chief Executives. The portfolio of roles and responsibilities of these seven individuals

has been carefully designed to ensure that appropriate priority and focus are being given to the areas which are critical to the University's future success.

Human Resources



In October 2013, the Human Resources and Learning and Development teams merged to form an enhanced human resources function. This has provided the infrastructure for more effective people related and organisational development activities as follows:

- holistic support for staff and managers before, during and after restructures, with a focus on managing and implementing change. This year's structural changes have included the successful transfer of mima staff to the University, the closure of the University Nursery where Human Resources played a key role in support for the redeployment of the staff affected, and the establishment of the new School of Social Sciences, Business & Law
- the communication of the 2012 staff survey results at a local level, including support to Deans and Directors with the development of local action plans to address the issues raised by their teams
- mapping the specific support that the merged Department of Human Resources provides to staff throughout their employment and career progression at the University to better align and enhance the activities and support provided.

In addition to the above, during 2013-14 the Learning and Development team have worked on consolidating the enhancements made during 2012-13 with staff, leadership and organisational development activities focused on:

- the launch of Stepping Stones – a new career development programme for grade 2/3 staff; this followed an extensive review of the University's leadership and management programmes and an identified gap in terms of career progression opportunities for our administrative staff



Equality and Diversity

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.

The University's successful engagement with local communities, a key feature of the diversity calendar of events, was formally recognised in autumn 2013 when the University received a BME Achievement Award from Middlesbrough BME Community.

Other work during 2013-14 has included:

- the roll out of mandatory training for equality and diversity which began in the summer of 2014, supported by a matrix of specific development activities that are relevant to each staff group; this included the introduction of a new e-learning option for staff needing to complete their basic equality and diversity awareness training and bespoke programmes for academic staff and University managers
- the introduction of data collection on sexual orientation and religion and belief
- inclusion in the Stonewall Workplace Equality Index in which the University was ranked in the top ten of all universities taking part.

Future developments:

- **Completion of the mandatory training programme to bring all current staff in the University up-to-date; this will be further supported by the launch of the All Different, All Equal equality and diversity training campaign in the autumn.**
- **The University is on schedule to deliver the current Equality and Diversity Action Plan and development of the new plan will be a key priority during 2014-15 and scheduled for publication in April 2016.**

- a pilot programme of tailored support for Schools and Departments to review and enhance their processes and procedures, using lean methodology
- a new discussion forum for staff in the catering and cleaning teams which has not only encouraged them to engage more actively in their individual performance development reviews but has also resulted in 22 of the cleaning staff enrolling on the NVQ Level II Cleaning Services programme
- an inaugural Adult Learners Week development programme developed in partnership with our Union Learning Representatives.

The Health and Safety team have delivered further reductions in sickness levels across the University and achieved the lowest ever level of accidents on campus despite a growth in the University's Estate and substantial on-site works. As part of the team's contribution to a major Healthy Settings project, the health needs of staff have been identified through the staff survey and staff focus groups and work will be ongoing during 2014-15 to address these needs and generally enhance well-being for staff. This will be delivered through targeted health campaigns, project work and joint working with James Cook Hospital, Middlesbrough College and the Public Health team at Middlesbrough Council.

The University's new online staff recruitment system was launched in autumn 2013, providing a more streamlined and user-friendly service to applicants and resulting in a significant reduction in the resource required to support this activity. The system also facilitates better analysis of the effectiveness of individual recruitment campaigns. Work will continue during 2014-15 to implement further streamlining of processes both within Human Resources and more widely through additional systems developments.

Future developments:

- **Ongoing support for staffing changes to deliver University efficiencies and support the University's priorities for growth.**
- **The introduction of a People and Organisational Development Strategy.**
- **Implementation of a University-wide approach to workforce planning.**
- **Delivery on the campaigns and projects relating to the health and well-being of staff through the Healthy Settings initiative.**
- **Delivery of the newly developed Academic Leadership Programme which maps onto the UK Professional Standards Framework.**
- **Implementation of the self-service functionality on iTrent, the University's human resources and payroll system.**



Environmental Developments

Environmental developments have continued during the year resulting from contributions by staff and students across the University. In Addition to the Ecocampus Silver status, the Students' Union has maintained the Gold standard in the NUS Green Impact Awards.

The University continues to monitor its environmental progress through Ecocampus, the environmental management system specifically designed for the HE sector, which recognises staged progression towards ISO 14001 registration and is currently working towards achieving the third stage (Gold) award in 2015. The University has maintained its 2:1 status in the People and Planet Green League, however moving forwards, the scoring criterion is becoming more stringent and there is greater demand for further evidence of inclusion of sustainability within the wider academic portfolio which will be addressed in the forthcoming review of the academic strategy.

The wide range of activities examined and monitored within the Ecocampus environmental programme have been kept under formal review by the University's Environmental Advisory Group, which continues to review 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.

Continued investment in the Carbon Reduction Plan during the last several years in conjunction with general energy conservation measures and close monitoring and targeting of energy consumption throughout the University has resulted in a 10.5% reduction in carbon emissions equivalent to 1,016 tonnes of CO₂. Installation of voltage reduction equipment across campus earlier this year, initially funded in part from the HEFCE Revolving Green Fund, will further reduce electricity consumption in key campus buildings by around 7%. There has also been continual progression with improving the Display Energy Certification rating year on year, for the majority of campus buildings, demonstrating the University's

commitment to improving energy efficiency within buildings and reducing the overall carbon emissions.

To enhance the measurement and control of water consumption, the University extended the provision for automatic meter reading, thereby facilitating further application of the monitoring and targeting system. This helped to identify several significant problems with water leaks caused by corrosion to the underground water pipe infrastructure, the rectification of which has resulted in a 28% reduction in water consumption since 2008.

Considerable progress has continued towards diversification of the means by which students and staff arrive at the Middlesbrough campus. The introduction of seasonal rail and bus travel ticket schemes have been introduced and well received. A mini review of car parking arrangements was completed in conjunction with the local Authority resulting in a minor reduction in parking on campus which will also assist with the pedestrianisation of Southfield Road.



The University actively supports the Cycle to Work scheme and has facilitated the purchase of bicycles by staff. To encourage use of public transport, a travel information point established in the Library has been well received and the Park and Ride Scheme providing a shuttle bus from the campus to Middlesbrough Railway Station and off site car-parking at nearby Cannon Park continues to be fully utilised.

Significant improvements to the University's waste management procedures including the appointment of a new waste management contractor has resulted in achieving an ambitious target whereby no waste is now sent to landfill waste sites. The programme of introducing mini-recycling facilities in the communal corridors of campus buildings has continued, in conjunction with recycling awareness campaigns. During the last year,

18% of waste was recycled on campus, 80% of waste was recycled off campus and 2% of waste was sent to an energy from waste plant which should provide further efficiencies as costs for landfill taxes continue to increase.

The University also became part of an innovative Waste Action Reuse Portal (WARPiT) which matches staff with surplus resources to staff seeking resources. Since its inception in February, the University has saved the equivalent of over 4,000 tonnes of CO₂ avoided almost 700 tonnes of waste and saved over £5,000 which is the equivalent of planting 5 trees or removing one car from the road.

Finally Building 1, the new Teaching and Conference facility has been designed to achieve an Excellent BREEAM rating and will incorporate a revolutionary earth duct ventilation system to use natural ventilation within the building to reduce the demand on mechanical heating and cooling systems.

Key Performance Indicators

During 2013-14 the Board rationalised the University's key performance indicators to make them clearer and to reflect the following key areas of focus:

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

2013-14 saw welcome improvements in student progression, retention and attainment, with the percentage of full-time first degree students progressing or qualifying (according to the HESA methodology) rising from 87.8% to 91.9%. The percentage of graduates achieving a First or 2:1 increased to 58.7% from 56%, and research degree completions increased beyond the target of 30, to 41. Student satisfaction, as measured by the National Student Survey, was stable, with 85% of final year undergraduates continuing to be either satisfied or very satisfied. Graduate employment increased, with 47% of graduates in graduate level employment and 85% of graduates in work or study.

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. 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.

The most significant risks for the University during 2013-14 continued to be inability to achieve enrolment targets for both Home and International students. In the case of Home students the student recruitment market has been more volatile than ever, with continuous government changes leading to significant increases in competition and instability. As a result, institutions are far less able to forecast recruitment performance with any accuracy, but it is likely that the University will fall short of target for recruitment of undergraduate students in 2014-15.

Recruitment of full-time postgraduate students continues to be challenging, with limited appetite for progression from undergraduate to postgraduate status by Teesside students and no sign of any government policy changes that might help to tackle this problem.

In part-time mode the market continues to be affected by the high levels of tuition fees that institutions now need to charge in order to recoup costs in the absence of grant funding and the non-availability of student loans for students with equivalent and lower qualifications and/or for 'small-bite' programmes of study. In all cases the University has instigated an enhanced and elongated marketing campaign, has increased conversion activity and enhanced outreach. The University will also undertake a major review of its portfolio to improve its offer.

International student recruitment continued to be challenging in 2013-14, with UK immigration policies constraining the University's ability to recruit in key markets. Whilst there has been some success in diversifying and enhancing recruitment channels, numbers are still well below previous levels. The University therefore instigated a review of its international operations, including trans-national education, with a revised strategy being developed for implementation in 2014-15.

In 2013-14 Governors undertook a review of the risk register to enable improved focus on and scrutiny of the key strategic risks facing the University in 2014-15 and beyond, resulting in a reduction in the overall number of risks from 29 to 16, and a reduction in the number of major risks from 13 to four. This reflects a consolidation of risks rather than a significant change to the risk profile of the University. The major risks are now identified as follows:

- income reduction, resulting from change in government or funding body policy
- failure to achieve student enrolment targets
- failure to provide adequate and complete management information
- poor graduate employment record leading to loss of income and reduced enrolment.

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 variable tuition fees and changes in patterns of student demand
- 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
- delivery of an enhanced offer at the Darlington campus and related expansion of student recruitment and business engagement activity
- delivery of new areas of academic expertise and curriculum development, linked to external market demand, that can be capitalised upon to deliver future growth
- further development of strategic partnerships with external stakeholders and partners that can anchor the University's activity and provide a platform for future growth
- exploitation of emerging opportunities to expand access to learning through different modes of study such as flexible learning, work-based learning and distance learning
- continued enhancement of the portfolio of student support and retention activities to maximise student progression and attainment
- continued action to embed employability skills in all programmes of study and to deliver a step change in employment six months after graduation

External Factors

- potential changes in HE policy and funding structures post-election
- the impact of the removal of the cap on student numbers
- the funding to support postgraduate programmes continues to be of serious concern across the sector
- challenges posed by 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 tuition fees and changes to the student-funding support regime
- intensification of the competition from other providers of HE, and expansion of the involvement of the private and FE sectors in HE delivery
- funding of public sector pension schemes, and phasing out of default retirement age
- continued changes in the funding of research and likely tendency towards greater concentration of research funding from all sources

Corporate Activity to Maintain Financial Sustainability

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

Conclusions

This year has shown the University to remain dynamic and responsive to students' needs and the external environment. Whilst volatility in the sector will remain and most likely intensify, the University is embracing the future with enthusiasm, from a strong and very well established position.

It is with sadness and pride, that the Chair of Governors accepted the resignation of one of the sector's most successful Vice-Chancellors, Professor Graham Henderson CBE DL, and work has begun on the difficult task of appointing a worthy successor, to commence in August 2015.

This is not, however, detracting from a dynamic response to the challenges ahead. These include an unknown outcome of the forthcoming general election in May 2015 and inevitable changes in the student fees and funding regime, including removal of the recruitment cap. This will increase competition in an already highly competitive student recruitment market. The UK/worldwide competitor base is changing size and nature with new private providers entering the field and Further Education Colleges able to apply for degree-awarding powers. This will inevitably impact upon our position in the local, UK and global HE market.

In response, we are:

- **implementing a Strategy for Growth which will target significant investment in key niche areas to consolidate and grow student numbers and further develop a range of University activities**
- **undertaking a further review of the nature and shape of the University's academic portfolio and curriculum offer**
- **investing significantly in our estate and student accommodation offer to ensure we continue to provide the very best environments and facilities for our students, staff and the communities we work with**
- **responding to altered government and employer expectations of the University through increasing our successful Business engagement activities by developing a Business Engagement hub and front door for business at our Darlington campus.**



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 September 2012. Its purpose is to help the reader of these accounts to understand how the principles have been applied.

The University complies with the Code that forms Part 1 of 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. Board members are Trustees of the University as an exempt charity. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. The recent HEFCE Assurance Review of the University's arrangements for exercising accountability for the public funding it receives, was a very positive review and concluded that it was able to place reliance on the University's accountability information and no recommendations were made.

The University's Board of Governors comprises up to 17 lay persons appointed under the University's Instrument and Articles of Government, four representatives of staff and students, and the University's Chief Executive, the Vice-Chancellor. The role of Chair of the Board of Governors is separated from the role of the University's Chief Executive, the Vice-Chancellor. The Board of Governors is ultimately responsible for all activities of the University. By the Instrument and Articles of Government, and under the 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

Statement of Primary Responsibilities

Produced in accordance with the voluntary Governance Code of Practice, 2004

1 Principal Responsibilities of the Board

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

- the determination of the educational character and mission of the University, and for oversight of its activities;
- the effective and efficient use of resources, the solvency of the University and the Corporation, and the safeguarding of their assets;
- the review and final approval of annual estimates of income and expenditure;
- the appointment, grading, suspension, dismissal and determination of the pay and conditions of service of all holders of senior posts, and the assignment of duties and appraisal of the Vice-Chancellor and the Clerk to the Board of Governors;
- setting a framework for the pay and conditions of service of all staff (other than those specified above);
- the consideration of the amendment or revocation of these Articles of Government (in accordance with the provisions of Article 16).

The principal responsibilities of the Board of Governors as identified in the Governance Code of Practice are:

- 1.1 To safeguard the good name and values of the institution.
- 1.2 To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
- 1.3 To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- 1.4 To make such provision as it thinks fit for the general welfare of students, in consultation with the Academic Board.
- 1.5 To ensure that the University's Instruments and Articles are followed at all times and that appropriate advice is available to enable this to happen.
- 1.6 To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
- 1.7 To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself.
- 1.8 To appoint a Secretary to the Board of Governors and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
- 1.9 To appoint the head of the institution as Chief Executive, and to put in place suitable arrangements for monitoring his/her performance.
- 1.10 To delegate authority to the head of the institution, as Chief Executive, for the academic, corporate, financial, estate and personnel management of the institution; and to establish and keep under regular review the policies, procedures and limits within which such management functions shall be undertaken by and under the authority of the head of the institution.
- 1.11 To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to review and approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
- 1.12 To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
- 1.13 To be the employing authority for all staff in the institution and to be responsible for establishing a Human Resources Strategy.
- 1.14 To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
- 1.15 To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

2 Members of the Board of Governors

Governors should apply informed and independent judgement to ensure the successful development of the University. Board decisions should reflect the breadth of the experience of the Members, and must be characterised by openness, objectivity, and rigour, thereby establishing confidence in the strategic direction of the University and in the effective implementation of the agreed Mission. The University publishes a Register of Interests of Members of the Board of Governors.

3 Chair of the Board of Governors

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

The Chair has a significant role in the appointments procedure and the disciplinary procedure relating to the Vice-Chancellor's Executive.

4 Vice-Chancellor and Delegated Authority

- 4.1 The Vice-Chancellor is the Chief Executive of the University, and the Articles specify that, subject to the responsibilities of the Board, he/she has responsibility:
- For making proposals to the Board about the educational character and mission of the University, and for implementing the decisions of the Board.
 - For the organisation, direction and management of the University and leadership of the staff.
 - For the assignment of duties and appraisal of the Deputy Vice-Chancellors, Director of Finance, and the University Secretary and Registrar; and, within the framework set by the Board, the appointment, assignment of duties, grading, appraisal, suspension, dismissal, and determination of the pay and conditions of service of staff other than the Members of the Vice-Chancellor's Executive.
 - For the determination, after consultation with the Academic Board, of the University's academic activities; and for the determination of its other activities.
 - For the preparation of annual estimates of income and expenditure, for consideration by the Board, and for the management of budgets and resources, within the estimates approved by the Board. The Vice-Chancellor is the Accounting Officer in respect of the use of funds provided by the HEFCE.
 - For the maintenance of student discipline, and, within the Articles and associated regulations, for the suspension or expulsion of students on disciplinary grounds and for the implementation of decisions to expel students for academic reasons.
 - For the determination of the dates of terms and holidays for the University, after consultation with the Academic Board.
- 4.2 The Board of Governors is responsible for making clear, and regularly reviewing, the authority delegated to the Vice-Chancellor as Chief Executive, in addition to that conferred directly on the Vice-Chancellor by the Instrument and Articles of governance.

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

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

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

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

The Board of Governors has taken reasonable steps to:

- ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the 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 2014 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 2014 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 2014 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 2014 have been applied for the purposes for which they were received and
- in all material respects, income during the year ended 31 July 2014 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

20 November 2014

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 2014. 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 2014.

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 2014 £000	Year ended 31 July 2013 £000
Income			
Funding body grants	1	20,951	39,799
Tuition fees and education contracts	2	78,769	68,220
Research grants and contracts	3	3,022	3,067
Other income	4	13,802	12,506
Endowment and investment income	5	3,385	1,572
		<hr/>	<hr/>
Total Income		119,929	125,164
		<hr/>	<hr/>
Expenditure			
Staff costs	6	73,341	72,410
Other operating expenses		36,266	37,026
Depreciation	10	4,925	5,242
Interest and other finance costs	7	44	275
		<hr/>	<hr/>
Total Expenditure	8	114,576	114,953
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at valuation before and after tax		5,353	10,211
Surplus for the year transferred to accumulated income in endowment funds		(3)	(2)
		<hr/>	<hr/>
Surplus for the year retained within general reserves	21	5,350	10,209
		<hr/>	<hr/>

All items of Income and Expenditure arise from continuing operations.

Statement of Group Historical Cost Surpluses and Deficits

	Note	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		5,353	10,211
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	21	632	643
Transfer from revaluation reserve to income and expenditure account relating to revalued building written off in year	21	217	–
		—————	—————
Historical cost surplus for the year before and after tax		6,202	10,854

Statement of Group Total Recognised Gains and Losses

	Note	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		5,353	10,211
Appreciation of endowment assets	20	5	17
Actuarial (loss)/gain in respect of pension scheme	28	(31,524)	10,905
		<hr/>	<hr/>
Total recognised (losses)/gains relating to the year		(26,166)	21,133
		<hr/>	<hr/>
Reconciliation			
Opening reserves and endowments		136,659	115,526
Total recognised (losses)/gains for the year		(26,166)	21,133
		<hr/>	<hr/>
Closing reserves and endowments		110,493	136,659
		<hr/>	<hr/>

Balance Sheets as at 31 July

	Note	Consolidated		University	
		2014 £000	2013 £000	2014 £000	2013 £000
Fixed assets					
Tangible assets	10	105,709	105,370	105,953	105,614
Investments	11	30	30	59	59
		<u>105,739</u>	<u>105,400</u>	<u>106,012</u>	<u>105,673</u>
Endowment assets	12	<u>236</u>	<u>228</u>	<u>236</u>	<u>228</u>
Current assets					
Stock		41	47	41	37
Debtors	13	10,644	7,674	12,542	8,927
Investments	14	39,500	33,000	39,500	33,000
Cash at bank and in hand		32,717	36,236	31,109	35,291
		<u>82,902</u>	<u>76,957</u>	<u>83,192</u>	<u>77,255</u>
Less: creditors – amounts falling due within one year	15	<u>(21,951)</u>	<u>(17,684)</u>	<u>(23,110)</u>	<u>(18,808)</u>
Net current assets		<u>60,951</u>	<u>59,273</u>	<u>60,082</u>	<u>58,447</u>
Total assets less current liabilities		<u>166,926</u>	<u>164,901</u>	<u>166,330</u>	<u>164,348</u>
Less: creditors – amounts falling due after more than one year	16	<u>(483)</u>	<u>(583)</u>	<u>(483)</u>	<u>(583)</u>
Less: provisions for liabilities	18	<u>(5,188)</u>	<u>(5,328)</u>	<u>(5,188)</u>	<u>(5,328)</u>
Total net assets excluding pension liability		<u>161,255</u>	<u>158,990</u>	<u>160,659</u>	<u>158,437</u>
Net pension liability	28	<u>(34,680)</u>	<u>(5,406)</u>	<u>(34,680)</u>	<u>(5,406)</u>
Total net assets including pension liability		<u>126,575</u>	<u>153,584</u>	<u>125,979</u>	<u>153,031</u>

Balance Sheets as at 31 July continued

	Note	Consolidated		University	
		2014 £000	2013 £000	2014 £000	2013 £000
Deferred capital grants	19	16,082	16,925	16,082	16,925
Endowments					
Expendable		42	42	42	42
Permanent		194	186	194	186
	20	236	228	236	228
Reserves					
Income and Expenditure account excluding pension reserve		127,577	123,628	126,981	123,075
Pension reserve	28	(34,680)	(5,406)	(34,680)	(5,406)
Income and Expenditure account including pension reserve	21	92,897	118,222	92,301	117,669
Revaluation reserve	22	17,360	18,209	17,360	18,209
Total reserves		110,257	136,431	109,661	135,878
Total funds		126,575	153,584	125,979	153,031

The Financial Statements on pages 23 to 52 were approved by the Board of Governors on 14 November 2014 and were signed on its behalf by:



Chair and Pro-Chancellor



Vice-Chancellor and Chief Executive

Consolidated Cash Flow Statement

	Note	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Net cash inflow from operating activities	23	5,619	12,406
Returns on investments and servicing of finance	24	726	439
Capital expenditure and financial investment	24	(3,241)	(2,486)
Management of liquid resources	24	(6,500)	9,987
Financing	24	<u>(642)</u>	<u>(3,807)</u>
(Decrease)/increase in cash in the year		<u>(4,038)</u>	<u>16,539</u>
 Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year		(4,038)	16,539
Change in short-term deposits		6,500	(9,987)
Change in debt		<u>642</u>	<u>3,807</u>
Change in net funds		3,104	10,359
Net funds at 1 August		<u>68,647</u>	<u>58,288</u>
Net funds at 31 July	25	<u>71,751</u>	<u>68,647</u>

Notes to the Financial Statements, year ended 31 July 2014

1 FUNDING BODY GRANTS

	2014	2013
	£000	£000
Recurrent grants		
Higher Education Funding Council for England	18,155	36,676
Specific grants		
Higher Education Innovation Fund	1,154	1,334
Transition Funding	577	367
Research Capital Investment Fund	35	145
Access and Widening Participation	–	10
Joint Information Systems Committee Fund	–	122
National Teaching Fellowships	5	13
Other	23	20
Deferred capital grants released in year		
Buildings (note 19)	200	200
Equipment (note 19)	802	912
	<u>20,951</u>	<u>39,799</u>

2 TUITION FEES AND EDUCATION CONTRACTS

	2014	2013
	£000	£000
Full-time home and EU students	42,077	34,420
International students	8,313	7,765
Part-time students	7,801	6,530
Education contracts	20,578	19,505
	<u>78,769</u>	<u>68,220</u>

3 RESEARCH GRANTS AND CONTRACTS

	2014	2013
	£000	£000
Research Councils	333	493
UK-based charities	228	205
UK central government	490	296
UK Health Service	372	376
European Commission	1,375	1,469
Other grants and contracts	224	228
	<u>3,022</u>	<u>3,067</u>

4 OTHER INCOME

	2014	2013
	£000	£000
Residences, catering and conferences	4,286	4,245
Other income-generating activities	1,051	646
Other grant income	4,295	3,946
Release from deferred capital grants (note 19)	459	404
Other income	3,711	3,265
	<u>13,802</u>	<u>12,506</u>

5 ENDOWMENT AND INVESTMENT INCOME

	2014	2013
	£000	£000
Income from permanent endowments (note 20)	5	5
Income from short-term investments	567	770
Pension finance return (note 28)	2,813	797
	<u>3,385</u>	<u>1,572</u>

6 STAFF

	2014	2013
	£000	£000
Staff costs		
Wages and salaries	59,105	58,555
Social security costs	4,776	4,769
Occupational pension scheme costs (note 28)		
Employer contributions	7,776	7,508
FRS 17 Adjustments	563	642
	8,339	8,150
Increase in the provision for enhanced pensions (note 18)	249	151
Restructuring costs	872	785
	<u>73,341</u>	<u>72,410</u>

Emoluments of the Vice-Chancellor

	£	£
Salary	222,121	218,489
Pension compensation (paid as salary)	8,762	–
Non-consolidated bonus	14,000	35,000
Benefits in kind	16,990	17,032
	<u>261,873</u>	<u>270,521</u>
Pension costs	20,810	30,807
	<u>282,683</u>	<u>301,328</u>

The pension compensation above, paid as salary, follows changes made to the Vice-Chancellor's pension arrangements with effect from 6 April 2014, as a result of changes in pension legislation. The pension costs relate to employer contributions from 1 August 2013 and 5 April 2014 and contributions were on the same basis as for other academic staff.

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

	2014	2013
	number	number
£100,000 - £109,999	3	1
£110,000 - £119,999	–	1
£120,000 - £129,999	–	1
£130,000 - £139,999	1	2
£140,000 - £149,999	1	–
£150,000 - £159,999	1	–
	<u> </u>	<u> </u>

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

Academic and research	703	716
Administrative and technical	800	769
Other	142	169
	<u>1,645</u>	<u>1,654</u>

7 INTEREST AND OTHER FINANCE COSTS

	2014	2013
	£000	£000
Bank loans not wholly repayable within five years	44	50
Finance leases	–	225
	<u>44</u>	<u>275</u>

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	2014	2013
	£000	£000
Academic departments	60,308	58,702
Academic services	15,499	13,961
Research grants and contracts	2,692	2,655
Residences, catering and conferences	3,232	3,829
Premises	10,975	11,870
Administration	16,539	17,987
Other	5,331	5,949
	<u>114,576</u>	<u>114,953</u>

Other operating expenses include

External auditor's remuneration in respect of audit services	49	50
External auditor's remuneration in respect of non-audit services	12	35
Operating lease rentals		
Land and buildings	958	976
Equipment	125	112
	<u> </u>	<u> </u>

9 SURPLUS ATTRIBUTABLE TO PARENT UNDERTAKING

The surplus dealt with in the accounts of the parent undertaking was £5,307,000 (2013: £10,082,000).

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
Consolidated	£000	£000	£000	£000	£000
At 1 August 2013	141,062	198	172	22,247	163,679
Additions in year	1,900	2,352	13	1,271	5,536
Disposals in year	–	–	–	(73)	(73)
Written off in year	(400)	–	–	(233)	(633)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2014	<u>142,562</u>	<u>2,550</u>	<u>185</u>	<u>23,212</u>	<u>168,509</u>
Depreciation					
At 1 August 2013	38,319	–	77	19,913	58,309
Charge for year	3,281	–	40	1,604	4,925
Disposals in year	–	–	–	(22)	(22)
Written off in year	(183)	–	–	(229)	(412)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2014	<u>41,417</u>	<u>–</u>	<u>117</u>	<u>21,266</u>	<u>62,800</u>
Net Book Value					
At 31 July 2014	<u>101,145</u>	<u>2,550</u>	<u>68</u>	<u>1,946</u>	<u>105,709</u>
At 31 July 2013	<u>102,743</u>	<u>198</u>	<u>95</u>	<u>2,334</u>	<u>105,370</u>

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 2013	141,425	198	172	20,893	162,688
Additions in year	1,900	2,352	13	1,271	5,536
Disposals in year	–	–	–	(73)	(73)
Written off in year	(400)	–	–	(233)	(633)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2014	<u>142,925</u>	<u>2,550</u>	<u>185</u>	<u>21,858</u>	<u>167,518</u>
Depreciation					
At 1 August 2013	38,319	–	77	18,678	57,074
Charge for year	3,281	–	40	1,604	4,925
Disposals in year	–	–	–	(22)	(22)
Written off in year	(183)	–	–	(229)	(412)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July 2014	<u>41,417</u>	<u>–</u>	<u>117</u>	<u>20,031</u>	<u>61,565</u>
Net Book Value					
At 31 July 2014	<u>101,508</u>	<u>2,550</u>	<u>68</u>	<u>1,827</u>	<u>105,953</u>
At 31 July 2013	<u>103,106</u>	<u>198</u>	<u>95</u>	<u>2,215</u>	<u>105,614</u>

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

10 TANGIBLE FIXED ASSETS continued**Analysis of cost or valuation**

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
	£000	£000	£000	£000	£000
Consolidated					
1997 Professional Valuation	47,767	–	–	–	47,767
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	92,151	2,550	185	23,212	118,098
	<u>142,562</u>	<u>2,550</u>	<u>185</u>	<u>23,212</u>	<u>168,509</u>
At 31 July 2014					
University					
1997 Professional Valuation	47,767	–	–	–	47,767
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	92,514	2,550	185	21,858	117,107
	<u>142,925</u>	<u>2,550</u>	<u>185</u>	<u>21,858</u>	<u>167,518</u>
At 31 July 2014					

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	
	2014	2013	2014	2013
	£000	£000	£000	£000
Cost	115,154	113,254	115,458	113,558
Accumulated depreciation and impairment	(30,669)	(28,020)	(30,669)	(28,020)
	<u>84,485</u>	<u>85,234</u>	<u>84,789</u>	<u>85,538</u>

11 FIXED ASSET INVESTMENTS

	Other Investments £000			
Consolidated				
Cost				
At 31 July 2014 and 31 July 2013	30			

	Other Investments £000	Subsidiary Undertakings £000		Total £000
Consolidated				
Cost				
At 31 July 2014 and 31 July 2013	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. The Company ceased to trade with effect from 30 April 2014.	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 2013	228	
Additions	34	
Disposals	(54)	
Net appreciation on disposals and on revaluation	5	
Increase in cash balances held for endowment funds	23	
	<hr/>	
At 31 July 2014	236	
	<hr/>	
	Valuation at 31 July 2014 £000	Valuation at 31 July 2013 £000
Equities	119	134
Bank balances	117	94
	<hr/>	<hr/>
Total endowment asset investments	236	228
Equities at cost	100	113
	<hr/>	<hr/>

13 DEBTORS

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Debtors	7,197	4,920	5,297	4,548
Prepayments and accrued income	3,447	2,754	3,379	2,711
Amounts due from subsidiary undertakings	–	–	3,866	1,668
	<hr/>	<hr/>	<hr/>	<hr/>
	10,644	7,674	12,542	8,927
	<hr/>	<hr/>	<hr/>	<hr/>

14 INVESTMENTS

	Consolidated and University 2014 £000	Consolidated and University 2013 £000
Deposits maturing in one year or less	39,500	33,000

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 2014 the weighted average interest rate of these fixed rate deposits was 0.9% and the remaining weighted average period for which the interest rate is fixed on these deposits was 187 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	
	2014 £000	2013 £000	2014 £000	2013 £000
Mortgages and unsecured loans	100	100	100	100
Payments received on account	6,120	5,550	4,964	4,148
Creditors	7,052	4,859	7,029	4,859
Social security and other taxation payable	1,489	1,528	1,489	1,528
Accruals and deferred income	7,190	5,647	7,005	5,576
Amounts due to subsidiary undertakings	–	–	2,523	2,599
	<u>21,951</u>	<u>17,684</u>	<u>23,110</u>	<u>18,808</u>

16 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Loans secured on residential and other property repayable by 2022	483	583	483	583

17 BORROWINGS – BANK LOANS AND OVERDRAFTS

	Consolidated and University 2014 £000	Consolidated and University 2013 £000
Bank loans and overdrafts are repayable as follows:		
Within one year	100	100
Between one and two years	100	100
Between two and five years	300	300
In five years or more	83	183
	<u>583</u>	<u>683</u>

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

The University has a formal set-off arrangement with Lloyds Bank in respect of a loan facility. At 31 July 2014 the amount of the loan outstanding was £4,875,000 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.

18 PROVISIONS FOR LIABILITIES

Consolidated and University	Enhanced pensions £000
At 1 August 2013	5,328
Increase	249
Utilised in year	(389)
	<u>5,188</u>
At 31 July 2014	

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 2014	31 July 2013
Discount rate	3.7%	3.3%
Inflation	2.9%	2.4%

19 DEFERRED CAPITAL GRANTS

Consolidated and University	HEFCE £000	Other Grants £000	Total £000
At 1 August 2013			
Buildings	4,892	10,421	15,313
Equipment	893	719	1,612
	<hr/>	<hr/>	<hr/>
Total	5,785	11,140	16,925
	<hr/>	<hr/>	<hr/>
Cash received and receivable			
Buildings	–	–	–
Equipment	583	35	618
	<hr/>	<hr/>	<hr/>
Total	583	35	618
	<hr/>	<hr/>	<hr/>
Released to Income and Expenditure Account			
Buildings (notes 1 and 4)	200	298	498
Equipment (notes 1 and 4)	802	161	963
	<hr/>	<hr/>	<hr/>
Total	1,002	459	1,461
	<hr/>	<hr/>	<hr/>
At 31 July 2014			
Buildings	4,692	10,123	14,815
Equipment	674	593	1,267
	<hr/>	<hr/>	<hr/>
Total	5,366	10,716	16,082
	<hr/>	<hr/>	<hr/>

20 ENDOWMENTS

Consolidated and University	Restricted Expendable £000	Restricted Permanent £000	2014 Total £000	2013 Total £000
At 1 August 2013				
Capital	39	75	114	97
Accumulated income	3	111	114	112
	<u>42</u>	<u>186</u>	<u>228</u>	<u>209</u>
Investment income	–	5	5	5
Expenditure	–	(2)	(2)	(3)
	<u>–</u>	<u>3</u>	<u>3</u>	<u>2</u>
Increase in market value of investments	–	5	5	17
	<u>42</u>	<u>194</u>	<u>236</u>	<u>228</u>
At 31 July 2014				
Represented by				
Capital	39	80	119	114
Accumulated income	3	114	117	114
	<u>42</u>	<u>194</u>	<u>236</u>	<u>228</u>
Analysis by type of purpose:				
Lectureships	11	–	11	11
Prize funds	13	6	19	19
Scholarships and bursaries	18	31	49	49
Research support	–	157	157	149
	<u>42</u>	<u>194</u>	<u>236</u>	<u>228</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 2013	149
Investment income	4
Expenditure	(1)
Increase in market value of investments	5
	<u>157</u>
At 31 July 2014	

21 INCOME AND EXPENDITURE ACCOUNT

	Consolidated £000	University £000
At 1 August 2013	118,222	117,669
Surplus retained for the year	5,350	5,307
Transfer from revaluation reserve	849	849
Actuarial loss in respect of pension scheme	(31,524)	(31,524)
	<hr/>	<hr/>
At 31 July 2014	92,897	92,301

22 REVALUATION RESERVE

	Consolidated and University £000
At 1 August 2013	18,209
Transfer to Income and Expenditure Account	(632)
Realised in the year on asset write off	(217)
	<hr/>
At 31 July 2014	17,360

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

	2014 £000	2013 £000
Surplus after depreciation of assets at valuation and before tax	5,353	10,211
Depreciation and write offs	5,142	5,242
Deferred capital grants released to income	(1,461)	(1,516)
Investment income	(572)	(775)
Interest payable	44	275
Loss/(profit) on sale of fixed assets	34	(18)
FRS17	(2,250)	(155)
Decrease in stocks	6	2
(Increase)/decrease in debtors	(3,169)	1,207
Increase/(decrease) in creditors	2,632	(1,836)
Decrease in provisions	(140)	(231)
	<hr/>	<hr/>
Net cash inflow from operating activities	5,619	12,406

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

	2014	2013
	£000	£000
Returns on investments and servicing of finance		
Income from endowments	5	5
Interest received	766	709
Interest element of finance lease rental payments	–	(225)
Other interest paid	(45)	(50)
	<hr/>	<hr/>
Net cash inflow for returns on investments and servicing of finance	726	439
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,900)	(2,880)
Endowment funds invested	(34)	(24)
Sale of tangible fixed assets	21	36
Sale of endowment asset investments	54	29
Deferred capital grants received	618	353
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	(3,241)	(2,486)
	<hr/>	<hr/>
Management of liquid resources		
Net movement in short-term deposits	(6,500)	9,987
	<hr/>	<hr/>
Financing		
Repayment of bank loan	(642)	(643)
Repayment of finance lease	–	(3,164)
	<hr/>	<hr/>
	(642)	(3,807)
	<hr/>	<hr/>

25 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2013 £000	Cash Flows £000	Other Non-cash Changes £000	At 31 July 2014 £000
Cash at bank and in hand				
Endowment assets	94	23	–	117
Other	36,236	(3,519)	–	32,717
	<hr/>	<hr/>	<hr/>	<hr/>
	36,330	(3,496)	–	32,834
Short-term deposits	33,000	6,500	–	39,500
Debt due within 1 year	(100)	100	(100)	(100)
Debt due after 1 year	(583)	–	100	(483)
	<hr/>	<hr/>	<hr/>	<hr/>
	68,647	3,104	–	71,751

26 LEASE OBLIGATIONS

	Consolidated and University 2014 £000	Consolidated and University 2013 £000
At 31 July the annual commitments under operating leases were as follows:		
Buildings		
Expiring within one year	1,007	946
Equipment		
Expiring within one year	–	40
Expiring between one and two years	44	41
Expiring between two and five years	84	54
	<hr/>	<hr/>
	1,135	1,081

27 FUTURE CAPITAL COMMITMENTS

	Consolidated and University 2014 £000	Consolidated and University 2013 £000
Commitments contracted at 31 July	17,634	298
	<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 (2013: 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 2014 £000	Year ended 31 July 2013 £000
TPS: contributions paid	4,032	4,073
TPF: contributions paid	3,667	3,360
FRS 17	563	642
Contributions paid to other pension schemes	77	75
	<hr/>	<hr/>
Total Pension Cost (note 6)	8,339	8,150
Outstanding pension contributions at 31 July	<u>1,042</u>	<u>1,022</u>

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

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

Basic employer contribution rates used during the year to 31 July 2014:

	TPS	TPF
1 August 2013 to 31 March 2014	14.1%	15.1%
1 April 2014 to 31 July 2014	14.1%	13.3%

Teachers' Pension Scheme

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

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

Teesside Pension Fund

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

28 PENSION SCHEMES continued

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

Under the definitions set out in FRS 17, the TPF is a multi-employer defined benefit pension scheme. In the case of the TPF, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2014.

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

A full actuarial valuation was carried out at 31 March 2013 and updated to 31 July 2014 on an FRS 17 basis by a qualified independent actuary. The material assumptions used by the actuary for FRS 17 at 31 July were:

	2014	2013
	%	%
Price increases	3.2	3.4
Salary increases	3.7	3.4
Pension increases	2.2	2.5
Discount rate	4.1	4.5

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

	2014	2013
	Years	Years
Retiring today		
Males	22.9	19.2
Females	25.4	23.2
Retiring in 20 years		
Males	25.1	21.1
Females	27.7	25.1

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 2014.

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

	2014		2013	
	Share of assets	Long-term return	Share of assets	Long-term return
	%	%	%	%
Equities	82.1	7.5	79.0	7.8
Gilts	1.9	3.2	6.0	3.3
Other bonds	4.4	3.7	1.7	4.0
Property	5.4	6.8	5.1	7.3
Cash	3.9	1.1	5.3	0.9
Other	2.3	7.5	2.9	7.8

28 PENSION SCHEMES continued

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

	2014	2013
	£000	£000
Analysis of the amount shown in the balance sheet		
University's estimated asset share	119,746	122,124
Present value of the University's estimated share of scheme liabilities	(154,426)	(127,530)
	<u> </u>	<u> </u>
Deficit in the scheme – (Net pension liability)	<u>(34,680)</u>	<u>(5,406)</u>
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	4,215	4,002
Past service cost	15	–
	<u> </u>	<u> </u>
Total operating charge	<u>4,230</u>	<u>4,002</u>
Analysis of amount credited to other finance income		
Expected return on pension scheme assets	8,609	5,409
Interest on pension scheme liabilities	(5,796)	(4,612)
	<u> </u>	<u> </u>
Net return	<u>2,813</u>	<u>797</u>
Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)		
Actual return less expected return on the University's share of pension scheme assets	(13,006)	14,023
Actuarial losses on liabilities including changes in assumptions underlying the present value of the scheme liabilities	(18,518)	(3,118)
	<u> </u>	<u> </u>
Actuarial (deficit)/gain recognised in STRGL	<u>(31,524)</u>	<u>10,905</u>
Movement in deficit during the year		
Deficit in the scheme at 1 August	(5,406)	(16,466)
Movement in year:		
Current service costs	(4,215)	(4,002)
Past service costs	(15)	–
Contributions	3,667	3,360
Other finance income	2,813	797
Actuarial (deficit)/gain	(31,524)	10,905
	<u> </u>	<u> </u>
Deficit in scheme at 31 July	<u>(34,680)</u>	<u>(5,406)</u>

28 PENSION SCHEMES continued

	2014	2013
	£000	£000
Analysis of the movement in the present value of the scheme liabilities		
At 1 August	127,530	116,735
Current service cost	4,215	4,002
Interest cost	5,796	4,612
Contributions by scheme participants	1,634	1,604
Actuarial gains and losses	18,518	3,118
Benefits paid less individual transfers in	(3,282)	(2,541)
Past service cost	15	–
	<u>154,426</u>	<u>127,530</u>

At 31 July**Analysis of movement in the market value of the scheme assets**

At 1 August	122,124	100,269
Expected rate of return on scheme assets	8,609	5,409
Actuarial gains and losses	(13,006)	14,023
Contribution by the employer	3,667	3,360
Contributions by scheme participants	1,634	1,604
Benefits paid less individual transfers in	(3,282)	(2,541)
	<u>119,746</u>	<u>122,124</u>

At 31 July**History of experience gains and losses – cumulative**

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

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Present value of scheme liabilities	(154,426)	(127,530)	(116,735)	(119,675)	(100,260)
Fair value of scheme assets	119,746	122,124	100,269	95,715	83,580
Deficit	<u>(34,680)</u>	<u>(5,406)</u>	<u>(16,466)</u>	<u>(23,960)</u>	<u>(16,680)</u>
Difference between expected and actual return on scheme assets					
Amount (£000)	(13,006)	14,023	(4,468)	3,140	6,926
Percentage of scheme assets	-10.9%	11.5%	-4.5%	3.3%	8.3%
Experience gains and losses on scheme liabilities					
Amount (£000)	(5,732)	(0.131)	–	1,424	–
Percentage of the present value of scheme liabilities	-3.7%	11.5%	-4.5%	3.3%	8.3%

28 PENSION SCHEMES continued

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £11,033,000 loss (2013: £20,491,000 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 2015 is £3,624,000.

The actual return on scheme assets in the year was £4,397,000 – deficit (2013: £19,432,000 return).

29 ACCESS TO LEARNING FUND

	2014	2013
	£000	£000
HEFCE grants	473	576
Interest earned	1	2
	<hr/>	<hr/>
	474	578
Disbursed to students	(468)	(578)
	<hr/>	<hr/>
Balance unspent at 31 July	6	–

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 £2,608 (2013: £2,432) 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 £779,000 (2013: £734,000) and other specific grants of £555,000 (2013: £28,000).

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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