Governors' Report + Financial Statements 06\07

UNIVERSITY OF TEESSIDE

Cover image: the Athena Building, home of
the new £10m Centre for Creative Technologies.

Governors' Report and Financial Statements

2006 - 2007

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BOARD OF GOVERNORS

Independent Members

Mr Sandy Anderson (Chair)

Mrs Pam Eccles (Vice-Chair)

Mr Neil Etherington

Mrs Margaret Fay

Mr Ernie EJ Haidon

Mr John G Irwin

Mr Eric Lloyd

Dr Iftikhar A Lone (retired January 2007)

Mr Keith Robinson

Mr Tom Shovlin

His Honour Judge Leslie Spittle

Mrs Alison Thain

Mrs Judyth J Thomas

Co-opted Members

Mrs Liz Barnes

Mr Stephen Dowson

Ms Beverly Hadfield (appointed May 2007)

Mr Haani Ul-Hasnain

Mr Ken Jarrold (retired October 2006)

Mr Alastair MacColl (appointed March 2007)

Dr Gus Montgomery (retired May 2007)

Dr Terry Murphy (appointed May 2007)

Mr Sean Price

Ms Jan Richmond

Mr Peter Rowley

Ms Pat White (retired May 2007)

Vice-Chancellor and Chief Executive

Professor Graham Henderson

Secretary

Mr J Morgan McClintock

REPORT OF THE BOARD OF GOVERNORS

The Board of Governors submits the Annual Report and audited financial statements for the year ended 31 July 2007.

Constitution and Activities

The University of Teesside is a Higher Education Corporation as defined under the Education Reform Act 1988 ('the Act').

The powers of Higher Education Corporations are defined in Section 124 of the Act and include the power to provide higher and further education and to carry out research and publish the results of the research as the University thinks fit.

The University was incorporated on 1 April 1989 and on that date all properties, rights and liabilities which had been used and/or held by Cleveland County Council for the purposes of the University were transferred to the University.

The University is also an exempt charity under the Act.

Scope of the Financial Statements

The financial statements presented by the Board of Governors comprise the results of the University, its trading subsidiaries and The Friends of the University of Teesside Trust. The subsidiaries and the Trust undertake activities which for commercial or legal reasons are more appropriately accounted for outside the University.

The Trust 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.

The whole of any taxable profits made by the subsidiaries are gift-aided to the University.

Financial Results

The University's consolidated income, expenditure and results, for the year ended 31 July 2007, are summarised as follows:

	2007	2006
	£000	£000
Income	**104,584**	94,951
Expenditure	**(98,799)**	(89,794)
Surplus after depreciation of assets at valuation before and after tax	**5,785**	5,157
Transfer from accumulated income within specific endowments	**9**	13
Surplus for the year retained within general reserves	**5,794**	5,170
Surplus for the year on an historical cost basis	**6,491**	5,862

Income has risen by over 10% due to an increase in the teaching grant from HEFCE associated with a growth in student numbers particularly in the area of part-time programmes developed in partnership with employers and other educational providers. Additionally the introduction of variable fees for full time undergraduates enrolling after September 2006 has also contributed to the increase in income. As a consequence of the increase in student numbers there has been an increase in staff costs associated with new appointments and pay awards.

Financial Reporting Standard 17 : Retirement Benefits has had a significant impact on the financial statements for the year. The income and expenditure account includes a charge of £1.3 million compared to a credit of £327,000 for the prior year. Despite this charge the surplus has increased by 12%. Net assets have increased as a result of the capital expenditure in the year and a reduction of the University's share of the Teesside Pension Fund scheme liabilities.

Capital Projects

The University has invested over £19.4 million in its estate and infrastructure during the year.

Over £14 million was spent on two new buildings, the Institute of Digital Innovation and the Centre for Creative Technologies, on which construction commenced in the previous year. Both buildings were completed in Summer 2007 and opened in September. Other capital expenditure related to a small number of strategic property acquisitions, improvements to the current property portfolio and equipment for the new buildings and ongoing purposes.

The capital expenditure has been funded, in the main, from the University's own resources and also grants from HEFCE and the European Union.

Cash Flow

The group had a net cash inflow of £1.1 million after taking account of cash outflows of almost £13.7 million in respect of capital expenditure.

At the balance sheet date cash at bank and in hand and short term deposits amounted to £31.2 million whilst long term debt, excluding finance leases, was £9.3 million.

Future Developments

In addition to the construction of the Institute of Digital Innovation and the Centre for Creative Technologies the University has also completed the renovation of the recently acquired Cook Building which will provide space for the development of new courses in the fields of design and media publishing. The Institute of Digital Innovation is an iconic building which has been developed with the Regional Development Agency to provide exciting opportunities for research and enterprise activities in digital innovation and the Centre for Creative Technologies is a building which will provide state of the art teaching facilities in support or the University's work in Digital Technology, Media Production and Creative Arts. Together these three buildings provide an additional 9500m^2 of space within the University.

Looking forward the University is planning to invest further capital funds in the areas of health and sport to underpin growth in programmes in these fields of study.

The government's agenda to up skill the workforce will become an even greater priority for the University in the coming period and in partnership with employers/employer groups the University will be seeking to develop, deliver and/or accredit innovative programmes of learning and will be seeking development funds to support investment in this area.

The University will continue to develops its HE Business Partnership and by 2008/09 HE Centres will either exist or be under development on the sites of partner colleges in Darlington, Middlesbrough, Stockton and Hartlepool to facilitate the delivery and further expansion of HE programmes in these localities.

Employment of People with a Disability

Applications for employment by people with a disability are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of existing employees becoming disabled every effort is made to ensure that their employment with the University continues and that appropriate training is arranged. It is the policy of the University that the training, career development and promotion of people with a disability should, as far as possible, be identical to that of other employees.

At 31 July 2007 the University employed 39 people who have a disability.

Employee Involvement

The University places considerable value on the involvement of its employees and on good communication with them. A regular official newsletter is made available to all staff and there is a University-wide systematic staff briefing scheme. Staff are encouraged to participate in formal and informal consultation at University, School and Department level, sometimes through the membership of formal committees. The University has a Staff Development Unit, which is responsible for providing a range of training for each staff group.

The University is a holder of the Investor in People award.

Payment of Creditors

Except for separately negotiated agreements, it is the University's policy to pay creditors 30 days after the date of the invoice. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms.

Financial Strategy

The key objectives of the University's financial strategy are to:

- ensure the on-going financial viability of the University;
- ensure the efficient and effective use of the University's assets and funds;
- maintain the University's net current assets at over £5 million, and to maintain liquidity at not less than 40 days expenditure;
- generate an annual operating surplus of at least £1.5 million.

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 3 July 2007 creating a casual vacancy, which the Governing Body filled by appointing Grant Thornton on 20 July 2007. Accordingly, a resolution to reappoint Grant Thornton as auditors of the University and its subsidiaries and to authorise the Governing Body to fix their remuneration will be proposed at the meeting of the Governing Body on 16 November 2007.

Conclusion

The Board of Governors is satisfied with the outturn for the year which has enabled the University to invest in the infrastructure and its academic and research and enterprise strategies.

These achievements are due to the hard work and commitment of all staff and their contribution is highly valued.

By Order of the Board

16 November 2007

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 Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The University also supports, and is guided by, the Guide for Members of Higher Education Governing Bodies in the UK which was issued by the Committee for University Chairmen in November 2004.

Responsibilities of the Board of Governors

In accordance with the University's Instrument and Articles of Government, the Board of Governors is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

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

In causing the financial statements to be prepared, the Board of Governors has ensured that:

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

The Board of Governors has taken reasonable steps to:

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

The key elements of the University's system of internal 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 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 Audit Committee and the Board of Governors; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

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

Summary of the University's Structure of Corporate Governance

The University's Board of Governors is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

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

The Nomination Committee considers nominations for vacancies on the Board.

The Remuneration Committee determines the remuneration of the six holders of Senior Posts.

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

Statement of Internal Control

The Board of Governors is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, which has been in place for the year ended 31 July 2007 and up to the date of approval of the annual report and accounts; that it is regularly reviewed by the Governing Body; and that it accords with the internal control guidance for the directors on the Combined Code as deemed appropriate for higher education.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The Board of Governors has also established a Risk Management Committee, comprising the senior management team and other senior managers. The senior management team and the Audit Committee also receive regular reports from internal audit and the Risk Management Committee, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Governors' agenda includes a regular item for consideration of risk and control and the Board receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2007 meeting, the Board of Governors carried out the annual assessment for the year ended 31 July 2007 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2007.

REPORT OF THE INDEPENDENT AUDITOR TO THE BOARD OF GOVERNORS OF THE UNIVERSITY OF TEESSIDE

We have audited the financial statements of the University of Teesside for the year ended 31 July 2007 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the statement of group total recognised gains and losses, the statement of group historical costs surpluses and deficits, the balance sheets, the consolidated cash flow statement and the notes to the financial statements. These financial statements have been prepared under the accounting policies set out herein.

This report is made solely to the Members of the University Board of Governors. Our audit work has been undertaken so that we might state to the Members of the Board of Governors those matters we are required to state to them in an auditors' 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 University and the Members of the University's 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 Auditors

The Board of Governors' responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom law and accounting standards is set out in the Statement of Responsibilities of the Board of Governors.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate in accordance with the financial memorandum with the Higher Education Funding Council for England.

We also report to you if, in our opinion, the Report of the Board of Governors is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the report of the Board of Governors. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice of the state of affairs of the University as at 31 July 2007, and of the surplus of income over expenditure for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.
- In all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency , grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2007 have been applied only for the purposes for which they were received.
- In all material respects, income during the year ended 31 July 2007 has been applied in accordance with the University's statutes and where appropriate in accordance with the Financial Memorandum with the Higher Education Funding Council for England dated 1 October 2003.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Leeds

21 November 2007

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) and applicable United Kingdom Accounting Standards.

(b) Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University, its subsidiary undertakings and The Friends of the University of Teesside Trust for the financial year to 31 July.

The consolidated financial statements do not include the income and expenditure of the University of Teesside Students' Union as the University does not exert significant control or dominant influence over policy decisions. The expenditure which is included in the Income and Expenditure Account of the University relates to the University's contribution to Union activities.

(c) Recognition of Income

Income from research grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year, together with any related contributions towards overhead costs.

Non-recurrent grants from funding councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

(d) Intangible Fixed Assets

(1) Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. The amortisation period is ten years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

(e) Tangible Fixed Assets

(1) Land and Buildings

The majority of freehold land and buildings are stated at valuation. These properties were valued by Storey Sons & Parker, Chartered Surveyors, as at 31 July 1997 in accordance with RICS Statements of Asset Valuation Practice and Guidance Notes. The basis of valuation was depreciated replacement cost and the valuation has not been updated. 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. Additions since 1 August 1997 are shown at cost.

The University has adopted the transitional provisions of Financial Reporting Standard 15 and has determined not to subsequently revalue its fixed assets from the amounts currently included in the financial statements.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as below. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the buildings, on a basis consistent with the depreciation policy.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

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

(2) Equipment

Furniture and equipment are included at cost.

Furniture and equipment costing less than £1,500 per individual item or group of related items is written off in the year of acquisition. All other items of furniture and equipment are capitalised.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as below. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the equipment, on a basis consistent with the depreciation policy.

(3) Vehicles

Vehicles are included at cost.

(4) Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation of each asset, evenly over its expected useful life, as follows:

Freehold buildings	Remaining life of each building between 5 and 50 years or finance lease term, if shorter	
Equipment and furniture	10% - 33.33%	per annum
Vehicles	25%	per annum

Assets in the course of construction are not depreciated until brought into use.

Depreciation is provided in the year of acquisition and not in the year of disposal.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value.

(g) Pensions

Retirement benefits for employees of the University are provided by defined benefit schemes which are funded by contributions from the University and employees. The two principal pension schemes are the Teachers' Pension Scheme (TPS) for academic staff and the Teesside Pension Fund (TPF) for non-academic staff. These are both independently administered schemes. A small number of staff are members of the National Health Service Scheme and the Universities Superannuation Scheme.

Pension costs for the TPF are assessed on the latest actuarial valuation of the scheme and are accounted for on the basis of FRS 17. The TPS is a multi-employer scheme and contributions are charged directly to the income and expenditure account as if the scheme was a defined contribution scheme.

The assets of the TPF are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on AA rated corporate bonds. The post-retirement benefit deficit or surplus is included on the University's balance sheet. The current service cost and any past service costs are included in the income and expenditure account within staff costs and the expected return on the scheme's assets, net of the impact of the unwinding of the discount on the scheme's liabilities, is included in either interest receivable or interest payable. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised in the statement of total recognised gains and losses.

(h) Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 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. The University receives no similar exemption in respect of Value Added Tax.

(i) Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease and are depreciated in accordance with the policy set out above. The excess of lease payments over recorded lease obligations is treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

Consolidated Income and Expenditure Account

	Note	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
INCOME			
Funding body grants	1	**54,412**	48,549
Tuition fees and education contracts	2	**33,696**	29,948
Research grants and contracts	3	**2,601**	2,113
Other income	4	**12,244**	13,063
Endowment and investment income	5	**1,631**	1,278
Total Income		**104,584**	94,951
EXPENDITURE			
Staff costs	6	**60,479**	54,281
Other operating expenses	7	**32,919**	30,490
Depreciation and impairment	9	**4,200**	3,690
Interest and other finance costs	8	**1,201**	1,333
Total Expenditure	9	**98,799**	89,794
Surplus on continuing operations after depreciation of fixed assets at valuation before and after tax		**5,785**	5,157
Surplus for the year transferred to accumulated income in endowment funds		**9**	13
Surplus for the year retained within general reserves	23	**5,794**	5,170

The Consolidated Income and Expenditure Account of the University, its subsidiary undertakings and The Friends of the University of Teesside Trust relates to continuing operations.

Statement of Group Historical Cost Surpluses and Deficits

	Note	**Year ended 31 July 2007 £000**	Year ended 31 July 2006 £000
Surplus on continuing operations after depreciation of fixed assets at valuation, before and after tax		**5,785**	5,157
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	**706**	705
Historical cost surplus for the year before and after tax		**6,491**	5,862

Statement of Group Total Recognised Gains and Losses

	Note	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Surplus on continuing operations after depreciation of fixed assets at valuation, before and after tax		**5,785**	5,157
Appreciation of endowment asset investments	14	**2**	3
New endowments	21	**2**	5
Actuarial gain/(loss) in respect of pension scheme	29	**7,918**	(810)
Total recognised gains relating to the year		**13,707**	4,355

Reconciliation

	2007 £000	2006 £000
Opening reserves and endowments	**43,512**	39,157
Total recognised gains and losses relating to the year	**13,707**	4,355
Closing reserves and endowments	**57,219**	43,512

Balance Sheets as at 31 July 2007

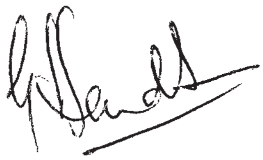
	Note	Consolidated		University	
		2007	2006	**2007**	2006
		£000	£000	**£000**	£000
Fixed Assets					
Intangible assets	11	**–**	–	**–**	–
Tangible assets	12	**90,639**	75,415	**90,883**	75,659
Investments	13	**30**	30	**880**	880
		90,669	75,445	**91,763**	76,539
Endowment Assets	14	**234**	239	**234**	239
Current Assets					
Stocks		**41**	42	**41**	42
Debtors	15	**8,966**	12,296	**11,533**	14,750
Investments		**24,337**	24,858	**24,337**	24,858
Cash at bank and in hand		**6,907**	5,765	**5,193**	4,911
		40,251	42,961	**41,104**	44,561
Creditors - Amounts falling due within one year	16	**(21,385)**	(19,372)	**(23,586)**	(21,913)
Net current assets		**18,866**	23,589	**17,518**	22,648
Total assets less current liabilities		**109,769**	99,273	**109,515**	99,426
Creditors - Amounts falling due after more than one year	17	**(13,308)**	(13,950)	**(13,710)**	(14,792)
Provisions for liabilities and charges	19	**(5,145)**	(5,180)	**(5,145)**	(5,180)
Net assets excluding pension liability		**91,316**	80,143	**90,660**	79,454
Net pension liability	29	**(16,103)**	(22,753)	**(16,103)**	(22,753)
Net assets including pension liability		**75,213**	57,390	**74,557**	56,701

Balance Sheets as at 31 July 2007 continued

	Note	Consolidated		University	
		2007	2006	**2007**	2006
		£000	£000	**£000**	£000
Deferred capital grants	20	**17,994**	13,878	**17,994**	13,878
Endowments					
Specific	21	**234**	239	**234**	239
Reserves					
Income and Expenditure account excluding pension reserve		**50,690**	42,922	**50,034**	42,233
Pension reserve	29	**(16,103)**	(22,753)	**(16,103)**	(22,753)
Income and Expenditure account including pension reserve	22	**34,587**	20,169	**33,931**	19,480
Revaluation reserve	23	**22,398**	23,104	**22,398**	23,104
Total Reserves		**56,985**	43,273	**56,329**	42,584
TOTAL		**75,213**	57,390	**74,557**	56,701

The financial statements on pages 11 to 40 were approved by the Board of Governors on 16 November 2007 and were signed on its behalf by:

Chair of Governors



Vice-Chancellor

Consolidated Cash Flow Statement, Year ended 31 July 2007

	Note	2007	2006
		£000	£000
Cash flow from operating activities	26	**14,390**	10,162
Returns on investments and servicing of finance	27	**540**	124
Capital expenditure and financial investment	27	**(13,691)**	(3,254)
Management of liquid resources	27	**521**	(5,484)
Financing	27	**(642)**	(642)
Increase in cash in the year		**1,118**	906

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	2007	2006
Increase in cash in the year		**1,118**	906
(Decrease)/increase in short-term deposits		**(521)**	5,484
Cash outflow from repayment of debt		**642**	642
Movement in net funds		**1,239**	7,032
Net funds at 1 August 2006		**16,142**	9,110
Net funds at 31 July 2007	28	**17,381**	16,142

Notes to the Financial Statements, Year ended 31 July 2007

(1) FUNDING BODY GRANTS

	HEFCE 2007 £000	TDA 2007 £000	Total 2007 £000	2006 £000
Recurrent grant	**48,831**	**–**	**48,831**	42,016
Specific grants	**4,433**	**65**	**4,498**	5,791
Deferred capital grants released in year (note 20)				
Buildings	**201**	**–**	**201**	176
Equipment	**882**	**–**	**882**	566
	54,347	**65**	**54,412**	48,549

(2) TUITION FEES AND EDUCATION CONTRACTS

	2007 £000	2006 £000
Full-time students fees	**12,325**	8,401
Full-time students charged overseas fees	**3,120**	2,077
Part-time students fees	**3,063**	2,319
Total fees paid by or on behalf of individual students	**18,508**	12,797
Education contracts	**15,188**	17,151
	33,696	29,948

(3) RESEARCH GRANTS AND CONTRACTS

	2007 £000	2006 £000
Research Councils	**107**	170
UK based charities	**49**	56
UK Central Government	**727**	716
UK Health Service	**335**	221
European Commission	**1,364**	842
Other grants and contracts	**19**	108
	2,601	2,113

(4) OTHER INCOME

	2007 £000	2006 £000
Residences, catering and conferences	**2,807**	2,795
Other income generating activities	**1,441**	1,377
Other grant income	**4,140**	5,342
Release from deferred capital grants (note 20)	**313**	302
Other income	**3,543**	3,247
	12,244	13,063

(5) ENDOWMENT AND INVESTMENT INCOME

	2007 £000	2006 £000
Income from specific endowment asset endowments (note 21)	**15**	13
Other interest receivable	**1,616**	1,265
	1,631	1,278

(6) STAFF

	2007 £000	2006 £000
Staff costs:		
Wages and salaries	**48,573**	45,330
Social security costs	**3,881**	3,527
Other pension costs (including FRS 17 adjustments)	**7,202**	4,816
Increase in the provision for enhanced pensions (note 19)	**291**	287
Restructuring costs	**532**	321
	60,479	54,281

The emoluments of the Vice-Chancellor for the year ended 31 July 2007 were:	**£**	£
Remuneration	**184,301**	163,200
Benefits in kind	**11,345**	11,136
	195,646	174,336
Pension costs (on the same basis as for other academic staff)	**24,151**	22,032
	219,797	196,368

(6) STAFF continued

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

	2007 Number	2006 Number
£70,000 - £79,999	**4**	1
£80,000 - £89,999	**1**	–
£90,000 - £99,999	**1**	3
£100,000 - £109,999	**3**	1
£110,000 - £119,999	**1**	–

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

Academic	**637**	601
Administrative and technical	**725**	726
Other	**198**	205
	1,560	1,532

(7) OTHER OPERATING EXPENSES

	2007 £000	2006 £000
Residences, catering and conferences operating expenses	**610**	621
Operating lease rentals - land and buildings	**585**	624
Equipment and materials	**3,243**	3,449
Books and periodicals	**1,255**	1,184
Heat, light, water and power	**1,313**	977
Repairs and general maintenance	**1,642**	1,819
Grant to University of Teesside Students' Union	**594**	540
Franchised courses	**4,852**	3,525
Communication	**501**	525
Travel and subsistence	**1,900**	3,121
Advertising and publicity	**1,138**	1,133
Auditors' remuneration - University	**33**	32
Auditors' remuneration - subsidiary companies	**3**	4
Auditors' remuneration in respect of non-audit services	**3**	3
Long term maintenance and capital projects	**1,985**	1,675
Professional and consultancy fees	**3,467**	4,694
Training courses and conference fees	**848**	680
Stationery and printing	**812**	847
Student bursaries and research grants	**3,384**	613
Other expenses	**4,751**	4,424
	32,919	30,490

(8) INTEREST AND OTHER FINANCE COSTS

	2007	2006
	£000	£000
Bank loans not wholly repayable within five years	**565**	533
Finance leases	**469**	477
Pension finance cost	**167**	323
	1,201	1,333

(9) ANALYSIS OF 2006/2007 EXPENDITURE BY ACTIVITY

	Staff costs	Other operating expenses	Depreciation and impairment	Interest payable	Total
	£000	£000	£000	£000	£000
Academic departments	37,003	14,485	962	–	52,450
Academic services	4,449	3,180	519	–	8,148
Research grants and contracts	981	1,154	51	–	2,186
Residences, catering and conferences	785	1,692	279	391	3,147
Premises	2,754	4,323	2,267	643	9,987
Administration	9,914	4,868	56	–	14,838
Other expenses	4,593	3,217	66	167	8,043
Total per Income and Expenditure Account	**60,479**	**32,919**	**4,200**	**1,201**	**98,799**

Of the total depreciation and impairment charge of £4,200,000, £174,000 relates to assets acquired under finance leases.

The depreciation and impairment charge has been funded by:

	£000
Deferred capital grants released (note 20)	1,396
Revaluation reserve released (note 23)	706
General income	2,098
	4,200

(10) SURPLUS ATTRIBUTABLE TO PARENT UNDERTAKING

The surplus dealt with in the accounts of the parent undertaking was £5,827,000 (2006 - £5,207,000).

(11) INTANGIBLE FIXED ASSETS - GOODWILL

	Consolidated and University
	£000
Cost	
At 31 July 2007 and 31 July 2006	270
Amortisation	
At 31 July 2007 and 31 July 2006	270
Net Book Value	
At 31 July 2007 and 31 July 2006	-

(12) TANGIBLE FIXED ASSETS

Consolidated	Freehold land and buildings £000	Assets in the course of construction £000	Vehicles £000	Equipment and furniture £000	Total £000
Cost/Valuation					
At 1 August 2006	87,171	3,761	114	18,123	109,169
Additions in year	2,517	14,531	70	2,311	19,429
Disposals in year	–	–	(46)	–	(46)
Transfers in year	359	(359)	–	–	–
Written off in year	–	–	(16)	(1,759)	(1,775)
At 31 July 2007	90,047	17,933	122	18,675	126,777
Depreciation					
At 1 August 2006	17,226	–	96	16,432	33,754
Charge for year	2,302	–	24	1,654	3,980
Impairment in year	220	–	–	–	220
Disposals in year	–	–	(42)	–	(42)
Written off in year	–	–	(16)	(1,758)	(1,774)
At 31 July 2007	19,748	–	62	16,328	36,138
Net Book Value					
At 31 July 2007	**70,299**	**17,933**	**60**	**2,347**	**90,639**
At 31 July 2006	69,945	3,761	18	1,691	75,415

(12) 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 2006	87,534	3,761	114	16,733	108,142
Additions in year	2,517	14,531	70	2,311	19,429
Disposals in year	–	–	(46)	–	(46)
Transfers in year	359	(359)	–	–	–
Written off in year	–	–	(16)	(1,723)	(1,739)
At 31 July 2007	90,410	17,933	122	17,321	125,786
Depreciation					
At 1 August 2006	17,226	–	96	15,161	32,483
Charge for year	2,302	–	24	1,654	3,980
Impairment in year	220	–	–	–	220
Disposals in year	–	–	(42)	–	(42)
Written off in year	–	–	(16)	(1,722)	(1,738)
At 31 July 2007	19,748	–	62	15,093	34,903
Net Book Value					
At 31 July 2007	**70,662**	**17,933**	**60**	**2,228**	**90,883**
At 31 July 2006	70,308	3,761	18	1,572	75,659

Financial Reporting Standard No 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.

(12) TANGIBLE FIXED ASSETS continued

At 31 July 2007 the net book value of freehold land and buildings, for the group and the University, includes £1,642,000 (31 July 2006: £1,816,000) in respect of assets held under finance leases.

Analysis of cost or valuation

	Freehold land and Buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
	£000	£000	£000	£000	£000
Consolidated					
1997 Professional Valuation	48,167	–	–	–	48,167
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	39,236	17,933	122	18,675	75,966
At 31 July 2007	**90,047**	**17,933**	**122**	**18,675**	**126,777**
University					
1997 Professional Valuation	48,167	–	–	–	48,167
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	39,599	17,933	122	17,321	74,975
At 31 July 2007	**90,410**	**17,933**	**122**	**17,321**	**125,786**

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 that of depreciated replacement cost 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	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Cost	64,705	61,829	65,009	62,133
Accumulated depreciation and impairment	(16,799)	(14,983)	(16,799)	(14,983)
Net book value	**47,906**	46,846	**48,210**	47,150

(13) INVESTMENTS

	Other Investments £000
Consolidated	
Cost	
At 31 July 2007 and 31 July 2006	**30**

	Other Investments £000	Subsidiary Undertakings £000	Total £000
University			
Cost			
At 31 July 2007 and 31 July 2006	**30**	**850**	**880**

The University's subsidiary undertakings (all of which are registered in England and Wales) and its percentage shareholding in each are as follows:

Subsidiary Undertaking	**Nature of Business**	**Shareholding**
University of Teesside Enterprises Limited	Commercial activities, enterprise, trading and liaison with industry and commerce.	Limited by guarantee
TEESNAP Limited	To provide and promote educational and training services relating to nursing, midwifery and associated professions and/or professions allied to medicine and to provide management services related to the aforementioned.	100% Ordinary Shares
Roundbeat Limited	Dormant.	100% Ordinary Shares
Teesside Library Company Limited	To provide library services.	100% Ordinary Shares

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.

During the year two dormant subsidiary undertakings were dissolved.

(14) ENDOWMENT ASSET INVESTMENTS

	Consolidated and University
	£000
At 1 August 2006	239
Additions	107
Disposals	(114)
Appreciation on disposals/revaluation	2
At 31 July 2007	**234**

	Valuation at 31 July 2007	Valuation at 31 July 2006
	£000	£000
Fixed interest stocks	**142**	5
Equities	**5**	123
Bank balances	**87**	111
Total endowment asset investments	**234**	239
Fixed interest stocks and equities at cost	**143**	105

(15) DEBTORS

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Debtors	**3,272**	4,309	**3,070**	3,959
Prepayments and accrued income	**5,495**	7,457	**5,454**	7,205
Amounts due from subsidiary undertakings	**–**	–	**3,009**	3,586
Other debtors	**199**	530	**–**	–
	8,966	12,296	**11,533**	14,750

Included within amounts due from subsidiary undertakings is £428,000 (2006: £935,000) which is due after more than one year.

(16) CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Mortgages and unsecured loans	**642**	642	**642**	642
Payments received on account	**6,432**	4,144	**6,177**	3,897
Creditors	**3,579**	3,336	**3,516**	3,323
Social security and other taxation payable	**1,593**	1,857	**1,593**	1,857
Accruals and deferred income	**9,139**	9,393	**9,118**	9,370
Amounts due to subsidiary undertakings	**–**	–	**2,540**	2,824
	21,385	19,372	**23,586**	21,913

(17) CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Loans secured on residential and other property repayable by 2022	**9,308**	9,950	**9,308**	9,950
Obligations under finance leases (note 18)	**4,000**	4,000	**4,000**	4,000
Amounts due to subsidiary undertakings	–	–	**402**	842
	13,308	13,950	**13,710**	14,792

(18) BORROWINGS

a Bank loans and overdrafts

	Consolidated and University 2007 £000	Consolidated and University 2006 £000
Bank loans and overdrafts are repayable as follows:		
In one year or less	**642**	642
Between one and two years	**642**	642
Between two and five years	**1,926**	1,926
In five years or more	**6,740**	7,382
	9,950	10,592

Bank loans include mortgages at 0.25% above Bank of England Base Rate and 0.6% above LIBOR, repayable by instalments and secured on freehold properties of the University.

b Finance leases

	Consolidated and University 2007 £000	Consolidated and University 2006 £000
The net finance lease obligations to which the University is committed are:		
In five years or more	**4,000**	4,000

The finance leases relate to academic and student accommodation.

(19) PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated and University £000
At 1 August 2006	5,180
Utilised in year	(326)
Transfer from Income and Expenditure Account	291
At 31 July 2007	**5,145**

The provision is in respect of pension enhancements payable to staff who have taken early retirement. The provision was recalculated at 31 July 2007 using the latest available actuarial tables.

(20) DEFERRED CAPITAL GRANTS

Consolidated and University	HEFCE £000	Other Grants and Benefactions £000	Total £000
At 1 August 2006			
Buildings	5,840	7,002	12,842
Equipment	910	126	1,036
Total	6,750	7,128	13,878
Cash received and receivable			
Buildings	455	3,700	4,155
Equipment	1,263	94	1,357
Total	1,718	3,794	5,512
Released to Income and Expenditure Account			
Buildings (notes 1 and 4)	201	191	392
Equipment (notes 1 and 4)	882	122	1,004
Total	1,083	313	1,396
At 31 July 2007			
Buildings	6,094	10,511	16,605
Equipment	1,291	98	1,389
Total	**7,385**	**10,609**	**17,994**

(21) SPECIFIC ENDOWMENTS

	Consolidated and University £000
At 1 August 2006	239
Additions	2
Appreciation of endowment asset investments	2
Income for year	15
Expenditure for year	(24)
At 31 July 2007	**234**

(22) INCOME AND EXPENDITURE ACCOUNT

	Consolidated	University
	£000	£000
At 1 August 2006	20,169	19,480
Surplus retained for the year	5,794	5,827
Transfer from revaluation reserve	706	706
Actuarial gain in respect of pension scheme	7,918	7,918
At 31 July 2007	**34,587**	**33,931**

(23) REVALUATION RESERVE

	Consolidated and University
	£000
At 1 August 2006	23,104
Transfer to Income and Expenditure Account	(706)
At 31 July 2007	**22,398**

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

(24) LEASE OBLIGATIONS

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Operating lease commitments in respect of land and buildings for the 2007/08 financial year, on leases expiring:				
Within one year	**594**	585	**594**	585
Between one and five years	–	–	–	–
In five years or more	–	–	–	–
	594	585	**594**	585

(25) FUTURE CAPITAL COMMITMENTS

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Commitments contracted at 31 July	**5,278**	16,409	**5,278**	16,409

(26) RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£000	£000
Surplus before tax	**5,785**	5,157
Depreciation and impairment	**4,200**	3,690
Deferred capital grants released to income	**(1,396)**	(1,044)
Investment income	**(1,631)**	(1,278)
Interest payable	**1,034**	1,010
Pensions cost less contributions payable	**1,268**	(327)
Profit on sale of fixed assets	**(10)**	–
Decrease/(increase) in stocks	**1**	(7)
Decrease/(increase) in debtors	**3,950**	(421)
Increase in creditors	**1,224**	3,414
Decrease in provisions	**(35)**	(32)
Net cash inflow from operating activities	**14,390**	10,162

(27) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007 £000	2006 £000
Returns on investments and servicing of finance		
Income from endowments	**15**	13
Interest received	**1,632**	1,187
Interest element of finance lease rental payments	**(553)**	(535)
Other interest paid	**(554)**	(541)
Net cash inflow for returns on investments and servicing of finance	**540**	124
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(18,567)**	(4,630)
Purchase of endowment asset investments	**(107)**	(44)
Sale of tangible fixed assets	**15**	–
Sale of endowment asset investments	**90**	58
Endowments received	**2**	5
Deferred capital grants received	**4,876**	1,357
Net cash outflow for capital expenditure and financial investment	**(13,691)**	(3,254)
Management of liquid resources		
Net movement in short-term deposits	**521**	(5,484)
Financing		
Repayment of bank loan	**(642)**	(642)

(28) ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2006 £000	Cash Flows £000	Other non-cash Changes £000	**At 31 July 2007 £000**
Cash in hand and at bank	5,765	1,142	–	**6,907**
Endowment assets	111	(24)	–	**87**
	5,876	1,118	–	**6,994**
Short-term deposits	24,858	(521)	–	**24,337**
Debt due after 1 year	(9,950)	–	642	**(9,308)**
Debt due within 1 year	(642)	642	(642)	**(642)**
Finance leases	(4,000)	–	–	**(4,000)**
	16,142	1,239	–	**17,381**

(29) PENSION AND SIMILAR OBLIGATIONS

The University's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme established locally as the Teesside Pension Fund (TPF) for non-teaching staff, the administering authority of which is Middlesbrough Borough Council. Both are defined benefit schemes.

Total pension cost for the year

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Teachers' Pension Scheme: contributions paid	**3,306**	2,905
Teesside Pension Fund: charge to the Income and Expenditure Account (staff costs)	**3,871**	1,885
Other pension scheme contributions paid	**25**	26
Total pension cost for the year	**7,202**	4,816

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of both schemes were undertaken at 31 March 2004. An interim acuarial review of the TPS was undertaken at 31 March 2006 in order for the scheme to prepare the disclosures required for its own accounts.

(29) PENSION AND SIMILAR OBLIGATIONS continued

Teachers' Pension Scheme (TPS)

The TPS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purposes of determining contribution rates.

The pensions cost is assessed not less than every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective benefit
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5.0% per annum
Market value of notional assets at date of last valuation	£115,780 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	98.9%

For the period from 1 August 2006 to 31 December 2006 the employer contribution continued to be 13.5%. Following the actuarial review this rate was increased to 14.1% with effect from 1 April 2007.

An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (FRS 17) Retirement Benefits, the TPS is a multi-employer 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 to the scheme as if it were a defined contribution scheme.

Teesside Pension Fund (TPF)

The TPF is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contributions made for the year ended 31 July 2007 were £3,887,000, of which employer's contributions totalled £2,770,000 and employees' contributions totalled £1,117,000. The agreed contribution rates for future years are 14.9% for the employer and 6% for employees.

An appropriate provision in respect of unfunded pensioners' benefits is included in provisions.

FRS 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2004 updated at each year end to 31 July 2007 by a qualified independent actuary.

	At 31 July 2007	At 31 July 2006	At 31 July 2005
Rate of increase in salaries	**5.5%**	5.2%	4.9%
Rate of increase for pensions in payment/inflation	**3.5%**	3.2%	2.9%
Discount rate for liabilities	**5.8%**	5.1%	5.1%
Proportion of employees opting to take a commuted lump sum	**50%**	50%	N/A

(29) PENSION AND SIMILAR OBLIGATIONS continued

The University's share of the assets in the scheme (31 July 2007: 3.19%, 31 July 2006: 3.09% and 31 July 2005: 3.07%) and the expected rates of return were:

	2007		2006	
	Long term rate of return expected %	**Value at 31 July £000**	Long term rate of return expected %	Value at 31 July £000
Equities	7.9	37,282	7.5	42,216
Gilts	4.8	17,295	4.4	5,340
Other bonds	5.8	726	5.1	705
Property	7.4	3,152	7.0	2,692
Cash	5.8	6,575	4.5	5,308
Total market value of assets		**65,030**		56,261
Present value of scheme liabilities		**(81,133)**		(79,014)
Deficit in the scheme		**(16,103)**		(22,753)

	2005	
	Long term rate of return expected %	Value at 31 July £000
Equities	7.5	34,508
Gilts	4.5	4,950
Other bonds	5.3	1,059
Property	7.0	2,354
Cash	4.3	3,951
Total market value of assets		46,822
Present value of scheme liabilities		(69,092)
Deficit in the scheme		(22,270)

(29) PENSION AND SIMILAR OBLIGATIONS continued

Analysis of the amount charged to the Income and Expenditure Account

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Service cost	3,871	3,303
Past service cost	–	(1,441)
Curtailments and settlements	–	23
Total operating charge	**3,871**	1,885
Analysis of pension finance costs		
Expected return on pension scheme assets	3,967	3,277
Interest on pension liabilities	(4,134)	(3,600)
Pension finance costs	**(167)**	(323)
Amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on employer's share of pension scheme assets	1,770	3,909
Changes in assumptions underlying the present value of the scheme's liabilities	6,148	(4,719)
Actuarial gain/(loss) recognised in the STRGL	**7,918**	(810)
Movement in deficit during the year		
Deficit in the scheme at 1 August	(22,753)	(22,270)
Movement in year:		
Current employer service charge	(3,871)	(3,303)
Employer contributions	2,770	2,535
Curtailments and settlements	–	(23)
Past service costs	–	1,441
Other finance costs	(167)	(323)
Actuarial gain/(loss)	7,918	(810)
Deficit in scheme at 31 July	**(16,103)**	(22,753)

(29) PENSION AND SIMILAR OBLIGATIONS continued

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:					
Amount (£000)	**1,770**	3,909	4,961	545	(440)
Percentage of scheme assets	**2.7%**	6.9%	10.6%	1.5%	(1.4%)
Experience gains and losses on scheme liabilities:					
Amount (£000)	**–**	–	524	(1,108)	(530)
Percentage of the present value of the scheme liabilities	**–**	–	0.7%	(2.1%)	(1.1%)
Total amount recognised in STRGL:					
Amount (£000)	**7,918**	(810)	(5,925)	(627)	(7,355)
Percentage of the present value of the scheme liabilities	**9.8%**	(1.0%)	(8.6%)	(1.2%)	(15.7%)

(30) ACCESS FUNDS

	2007 £000	2006 £000
HEFCE grants	**894**	1,060
Interest earned	**16**	15
	910	1,075
Disbursed to students	**(779)**	(1,010)
Balance unspent at 31 July 2007	**131**	65

HEFCE grants are available solely for students. The University acts only as paying agent.
The grants and related disbursements, to the extent of total access fund income, are therefore excluded from the income and expenditure account.

(31) RELATED PARTY TRANSACTIONS

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

The University has taken the exemption under FRS 8, relating to subsidiary undertakings where 90% or more of the voting rights are controlled within the group, not to disclose related party transactions.

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Published by the Corporate Communications Unit CAG5452