

Inspiring success



Governors' Report and Financial Statements

for the year ended
31 July 2012





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Foreword from the Chairman and Pro-Chancellor

I am pleased to introduce the Governors' Report and Financial Statements for 2011-12.

The Report reflects the outcome of a year during which the Board of Governors took the time to review our mission and aims, culminating in publication of our Institutional Plan for 2012-15.

The University has, again, continued to make a major contribution to the economic, social and cultural life of our communities. We have been particularly pleased to welcome HRH The Duke of Kent to open the University's new Darlington Campus, and I look forward to seeing that initiative thrive and prosper as we find new ways to serve our region.

At the national level, we have faced major changes to student funding, and we have been reassured to see the initial outcome of our response to those changes as we chart our distinctive way within UK Higher Education.

There have also been challenges in relation to the international dimension of our activities. After enhancing the administration in relation to international students, I am pleased that we are now regarded as having arrangements for international students which are among the best in the sector.

Consequently, as we look forward to playing our role within the region, within the UK, and beyond, my colleagues on the Board of Governors and I believe that, during 2011-12, we continued to establish a strong record of progress. Therefore, I commend this report to you as an outline of our achievements and as an indication of our potential.



Sandy Anderson OBE DL FREng
Chairman and Pro-Chancellor



Board of Governors

Independent Members

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

Mr Paul Booth

Mr Chris Fleetwood

Professor Tricia Hart

Mr David Heaton OBE

Mr John Irwin

Mr Alastair MacColl (Vice-Chairman)

Mr Sean Price

Mr Keith Robinson (Treasurer)

Ms Amanda Skelton

Mrs Alison Thain OBE

Co-opted Members

Mr Robin Bloom (appointed with effect from 13 January 2012)

Ms Alison Clark-Jenkins (appointed with effect from 13 January 2012)

Mr Bob Cuffe

Mr Ernie Haidon (retired with effect from 13 January 2012)

Mr John Hogg

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

Ms Sue Kiddle

Dr Terry Murphy

Mr John Pinkney (appointed with effect from 1 July 2012)

Mr Peter Rowley (retired with effect from 13 January 2012)

Mrs Beverly Simpson

Dr Mark Simpson

Ms Lori Wheatman (resigned with effect from 1 July 2012)

Vice-Chancellor and Chief Executive

Professor Graham Henderson CBE DL

Secretary

Mr J Morgan McClintock

Operating and Financial Review

Introduction

Teesside University was founded in 1930 as Constantine College and became Teesside Polytechnic in 1969. It was redesignated as the University of Teesside in 1992. In 2009, the Privy Council authorised a change of the institutional 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.

The University derives income from a wide variety of sources, but a significant majority of its funding comes from three sources: grants from the HEFCE, contracts with the National Health Service (NHS), and tuition fees.

- The HEFCE is the major public sector funder of Higher Education Institutions (HEIs) as a whole, but the proportion of the University's income derived from the HEFCE will decline significantly between 2012 and 2015. The University, in common with all other HEIs, is accountable to the HEFCE for expenditure of public funds. The relationship between the University and the HEFCE is codified in a Financial Memorandum, which sets out the rights and responsibilities of both parties.
- Health Education England (HEE) is the new national commissioning body for the NHS, which devolves contracting for education through the North East Local Education Training Board (NELETB). The latter continues to commission a range of programmes and activity for the delivery of nursing, midwifery, physiotherapy, diagnostic radiography, occupational therapy, medical ultrasound, clinical psychology, improving access to psychological therapies, non-medical prescribing, health visiting, school nursing, district nursing, long term health conditions, dental hygiene/therapy, dental nursing, and a wide range of top-up degrees and short awards which constitute continuing professional development.

- Tuition fees are payable in advance by either students or their employers, or in due course through loans from the Student Loans Company. This element of the University's income will continue to rise significantly over the next three years as a proportion of total income.

Mission, Vision, Character, Principles and Values

During 2011-12, the Board of Governors established a clear mission statement which is the corner-stone of the Institutional Plan 2012-15.

Teesside University is committed to:

Providing opportunities, driving enterprise, delivering excellence

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

In pursuing its mission, the University is committed to continuing to offer a broad range of full-time, part-time and flexible undergraduate, professional and postgraduate taught qualifications, and research-based doctoral programmes, to meet the ongoing development needs of its current and potential students.

Central to the pursuit of its vision, the University has set itself the challenging aim 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 higher education 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
- demonstrating a real and continuing commitment to social inclusion.

The character of Teesside University can be described as:

- Dynamic, confident and committed to the pursuit of excellence. Teesside goes from strength to strength as a University widely recognized as an enabling, passionate and partnership-focused institution with a can-do mentality that organisations are keen to work with.
- Students and employers have access to a vibrant learning environment in which excellent courses, great facilities and committed staff combine to inspire individuals with talent and energy to gain the knowledge and expertise they need to get into and flourish in their chosen profession.
- Working creatively with employers, we tackle real-world challenges, fully recognising and committed to developing, the relationship between student learning, research, knowledge transfer and business engagement, each informing the other, for the benefit of staff, students, businesses and the social, economic and cultural development of the region.

Teesside University is exciting and innovative, and inspires success.

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

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

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

Teesside University's values reflect its aim to be a caring, fair and supportive institution where everyone takes a shared pride in its mission and achievements.

Institutional Plan 2012-15

In November 2011, the Board established the Institutional Plan for 2012-15. The strategies, aims and targets set out within the plan have been cross-referenced to the risks identified within the University's Risk Register.

The plan consists of:

- **A clear articulation of the mission, vision, character, core principles and values which describe and underpin the University's ethos, culture and activities.**
- **A statement of the general institutional aims, the subsidiary aims and the targets that the University will be seeking to deliver over the period of the plan.**
- **Articulation of the three primary strategies that describe the nature of the University's core academic activity associated with delivery of the general institutional aims, subsidiary aims and targets, namely:**
 - Academic strategy
 - Business engagement strategy
 - Research strategy

- **A series of (annual) key performance indicators (KPIs) covering a limited number of critical areas of development activity within each of the three primary strategies, enabling the Board of Governors and senior management to monitor progress towards the achievement of some key aims and targets identified in the institutional plan.**
- **A series of risks requiring regular monitoring and management.**

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

Public Benefit Statement

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

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

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

Teesside University is committed, in principle and in practice, to the economic, social and cultural success of the communities it serves. The University's commitment to community engagement, which is widely acknowledged, is outlined in the Corporate Social Responsibility Framework. When the University was awarded the Times Higher Education's University of the Year Award in 2009-10, the judges (amongst many other attributes) singled out its commitment to working with communities and businesses, making it 'the public benefactor par excellence'.

The University places a huge importance on the overall quality of the student experience, and continually strives to provide all students with a friendly and supportive environment where they are most likely to flourish.

Students and employers have access to a vibrant learning environment in which excellent courses, great facilities and committed staff combine to inspire individuals with talent and energy to gain the knowledge and expertise they need to get into and flourish in their chosen profession. The University offers its students an extensive range of accessible learning resources and is committed to a high level of professional student support. The Quality Assurance Agency for Higher Education has acknowledged the University's success in widening participation, supported by the development of strong partnerships with local Further Education Colleges.

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

Raising Aspirations and Widening Participation

The University continues to deliver a range of initiatives designed to drive up aspirations and participation across Tees Valley, the North East, and Yorkshire & Humberside, including working with primary schools, secondary schools, sixth-form colleges, and further education colleges in the area.

The University provided information to students, parents and teachers on a range of transition and progression topics designed to encourage students to realise their full potential and raise aspirations. Over 36,000 prospective students had engaged in widening participation sessions by July 2012, an increase of 10.7% on 2010-11, and 29.5% on 2009-10.

The University's 'Passport Scheme' has offered impartial support to 33 institutional members and over 3,000 Passport students in assisting to demystify common perceptions

and concerns regarding the new fees regime and to promote the positive benefits of higher education.

In 2012, stronger links have been developed with local authority services to provide appropriate support during the transition into higher education for care leavers and students with disabilities.

Darlington

The £13 million Darlington Campus was officially opened by HRH the Duke of Kent in April 2012, marking the establishment of a strong platform in the West of the Tees Valley, on which to build a range of activities.

The campus is developing Higher Education in Darlington and its hinterland, in partnership with Darlington College, focusing on part-time and blended delivery, particularly in the fields of business, health, social sciences, and education.

The campus also facilitates business engagement by providing opportunities for workforce development, other services for business, and excellent facilities to host business events.

The campus is able to use its excellent location to provide a hub for students and employers across the region and beyond. State of the art facilities, including a library and ICT suites, are provided for students, whilst the top floor of the building provides high specification executive education facilities including a boardroom, a lounge for networking, a large teaching room and an outdoor terrace. This has enabled the University to work with regional businesses and community groups. The business reach of the campus is being extended further through holding regular Business Networking events, hosting incubator businesses, and running a suite of business seminars as part of the 'Enterprise Development Programme' with start-up businesses.

Student Recruitment: UK Students

Following a very successful recruitment cycle, in October 2011, the University enrolled sufficient students to meet the targets agreed with the HEFCE, including recruitment of the additional student numbers awarded by the

HEFCE following a competitive process. This resulted in 27,000 individuals studying at the University, of whom 40% were enrolled on full-time/sandwich courses, and 60% on part-time courses.

During the year, the University concentrated on preparing for the significant changes in the funding of Higher Education which were introduced in September 2012, from a funding model based on a combination of fees and block grant, to one based almost entirely on student fees.

This resulted in a new Fees and Scholarships offer to students for the 2012-13 recruitment cycle, which was successfully launched as part of the new undergraduate recruitment campaign, and the associated outreach activities. This campaign built on the successes and reputation of the University, and focused on communicating key messages, leading with the 'we inspire, you succeed' strap line. The issue of 2012 fees was addressed in a positive and comprehensive way, demonstrating to stakeholders that a university education is affordable and can provide significant added value alongside an excellent student experience. The University is expected to meet its full-time undergraduate recruitment target for the 2012 entry, despite the sector-wide downturn in applications and increased competitor activity.

As part of the ongoing marketing and recruitment activity, separate recruitment campaigns were developed for part-time courses, for the Darlington campus, for postgraduate study opportunities, and for the University's Higher Education Business Partnership with the five local further education colleges. All of these have been launched for the 2012-13 recruitment cycle, and will continue for 2013-14.

During the year, the University won the following awards for its marketing, recruitment and student information activities: Gold HEIST award for the 2012 Undergraduate Prospectus, Silver HEIST award for Community Engagement (the MacKenzie Thorpe-Middlesbrough Murals exhibition), and the Higher Education Liaison Officers' Award for Innovation Recruitment Practice (for the University's Postgraduate Virtual Open Day).

Educational Partnerships

The University has a strong sub-regional Higher Education Business Partnership (HEBP) with local further education colleges, in Middlesbrough, Stockton, Redcar & Cleveland, Hartlepool and Darlington. In 2011-12, the number of students studying at HEBP Colleges exceeded 3,700.

The colleges provide learners with access to a Higher Education curriculum with clear links to business and industry, and to extensive webs of higher education opportunities. University-funded higher education centres operate in all five of our partner colleges.

HEBP partners participate in an annual Higher Education in Further Education Conference, which provides the opportunity for dissemination of good practice across the partnership.

In 2011-12, each of these Colleges successfully completed a Summative Review by the Quality Assurance Agency (QAA). The strength of the partnership between individual Colleges and the University, and within HEBP, was singled out by the QAA for particular commendation.

The University is building on its national reputation for partnership-working by extending its local network to become the preferred validation partner of a number of further education colleges in the North of England (and specifically in the North East, and the Yorkshire and Humber region). This strategy, articulated in the recent Institutional Plan, also seeks to raise significantly the University's profile and expand the recruitment footprint.

During 2011-12, a formal partnership was agreed with Bradford College, one of the largest providers of higher education in a further education college in the UK. Several other colleges are moving through the due diligence stages, with an anticipation that, by December 2012, the University will have five new significant partnerships, and will have expanded considerably within three existing arrangements. The volume of validated provision is set to grow to at least twice the size of the HEBP activity by 2014-15.

International Activity

Recruitment of international students, which had been a remarkable success story in recent years, was less successful in 2011-12 as a result of government changes to the Tier 4 regulations (the points-based system for immigration) and the removal of the post-study work visa. This mainly affected recruitment from a number of countries in the Indian sub-continent. In addition, the Arab Spring in the Middle East and North Africa also led to a decrease in the number of students recruited from that region.

Recruitment received a further set-back in February 2012, when, following an audit by the United Kingdom Border Agency (UKBA), the University's ability to sponsor international students was temporarily suspended due to concerns about the administration of some records. Although a second audit by UKBA in 2012 demonstrated to the UKBA's satisfaction that the University was implementing a comprehensive action plan devised by a steering group led by the Vice-Chancellor, the recruitment pause had already resulted in a loss of applicants. Since then, the University has been engaged in a series of initiatives to re-establish its international profile and recruitment base as a significant strategic priority.

In September 2012, the UKBA completed a third audit, when the University received assurance that the audit team was highly impressed with the way in which information is now being recorded and retained on international student files. The University is developing a positive relationship with the UKBA, which is being complemented by the development and re-engagement with a strong network of agents and partners around the world.

Student Experience

The University is committed to providing an excellent student experience for all of its students, and feedback confirms our success in this area. In the latest 2012 National Student Survey (NSS), Teesside achieved an overall satisfaction score of 86%, placing it in the top 10% of all UK Higher Education Institutions. In some subject disciplines, satisfaction was exceptionally high, with Radiography achieving a 100% score and seven other subjects having overall satisfaction recorded as 90% or over.

In the Postgraduate Taught Experience Survey, 78% of students report having their expectations met or exceeded in all key areas, with overall satisfaction with my course rising from 82% (in 2010) to 88% (in 2012).

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

These scores, across a number of measures, indicate that we remain one of the top performing new universities, as reported in the *Times Higher Education's* Student Experience Survey. In this report, the overall satisfaction score of 80% placed the University as the highest-ranked modern University. (15th out of all 105 participating institutions).

Learning, Teaching, and Academic Quality

Schools and Departments worked collaboratively through 2011-12 to review the developments achieved through the lifetime of the 2009-12 Learning, Teaching and Assessment Strategy, culminating in the development of a new Learning, Teaching and Student Experience Strategy for 2012-15. This sub-strategy supports all three Primary Strategies, but particularly the Academic Strategy, and recognises the wider students' learning opportunities which can lead to the enhanced employability of our students. The strategy points to a commitment to educating our students, through the discipline of their choice, to become confident, critical, creative, adaptable, articulate and aspiring.

In 2011-12, the University funded eight new Learning and Teaching Innovation projects; organised a new, and successful, scheme entitled Students as Researchers; hosted a highly-regarded Three Rivers Learning Conference; and, once again, convened its own Annual Learning and Teaching Conference. The University was also successful in winning a Collaborative Teaching Development Grant from the Higher Education Academy for the School of Health and Social Care's project, entitled Flo's story: the development of an online interactive learning package about persistent pain in older people.

Throughout 2011-12, the University continued to review its quality processes in the light of the University's intention to increase its number of UK College Partners; in the context of changes to key external reference points; and in response to the analyses published by QAA in various Institutional Audit reports.

This on-going review process resulted in several changes to enhance the processes for approving and overseeing collaborative provision, including the development of a generic Operations Manual and the full redrafting of the sections of the University's Quality Handbook relating to Educational Partnerships with UK Public Sector Colleges and Employer Partnership Collaborative Provision. The University has also provided support to the Tees Valley Colleges within the Higher Education Business Partnership, which all received successful summative outcomes in the QAA Integrated Quality Enhancement Reviews (which concluded in 2012).

The University has responded to the consultation on, and publication of, several chapters of the new UK Quality Code for Higher Education. Of particular note is the response to the Chapter on External Examining (B7), which has resulted in changes to the University's External Examiner Framework.

The University met the requirement to publish Key Information Sets and the Wider Information Set by the given deadlines. The University will continue to reflect on possible enhancements to its public information provision in response to the publication of Part C of the UK Quality Code for Higher Education: Information about Higher Education Provision.

The University continues to implement its agreed Quality Audit and Review Schedule, with University panels undertaking a number of audits of the University's Threshold Quality Standards, and other quality related processes, resulting in enhancements to the processes investigated.

The University has continued to reflect on the appropriateness of the Academic Board Committee structure in the light of changing priorities and the need to ensure that resources are deployed effectively. This has resulted in a number of changes, including some committees being disbanded.

Employability

Employability remains a key issue for the University, and our graduates, given the increasingly challenging economic environment.

Therefore, during 2011-12, the University concentrated on developing three key initiatives:

- A salaried graduate internship scheme, which commenced in January 2012 in conjunction with local businesses. The scheme generated positive endorsements from employers and graduates. Subsequently, 78% of interns secured substantive positions with the companies which had provided their internships.
- Short (six weeks) paid summer work placements across a range of business sectors. Students were matched to employer projects, and again this initiative led to positive feedback from employers, such as '... proved beyond a shadow of doubt that youth can still, sometimes surpass experience. This means that, in future, recruitment will include innovation and not just experience'. (Plasrec Ltd). Typical feedback from a student participant was: 'I got solid experience in a work environment, developed skills which will help me throughout my final year, and built personal and professional relationships, with possible future opportunities for me with the company'.
- Students as researchers. This project enabled students to work with established researchers on elements of research projects. Feedback from all concerned has been positive, with students highlighting key generic skills acquisition, such as team working, co-ordination and management of meetings, and time management.

All three initiatives will become an ongoing part of Teesside University's offer to our students and graduates.

The entrepreneurs@tees initiative, which develops entrepreneurial skills and attitudes with students, and offers support to potential entrepreneurs, recruited over 700 students in 2011-12. To complement this initiative, students launched the Teesside Entrepreneurs Society. A number of high-profile events attracted good attendance during the year, including imaginative business competitions

such as The Beermat Challenge (outlining a business idea in 50 words). The National Consortium of University Entrepreneurs (NACUE) was heavily involved in a number of these initiatives. The president of entrepreneurs@tees went on to become the regional coordinator for NACUE.

Activity in 2012-13 will include a significant programme of activity during the November Global Entrepreneurship Week, a high-profile event for students, staff, and external participants.

Research

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

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

Preparations for the 2014 Research Excellence Framework (REF) continued throughout 2011-12, co-ordinated by a cross-institution REF Steering Group. The University is now implementing the Code of Practice for the selection of members of staff to be submitted to REF. The University's submission intentions will be confirmed to the REF team by December 2012.

The University is a partner in several new projects, which were awarded by the European Commission in 2011-12, including the following funded by Framework Programme 7 (FP7):

- a project on 3D interactive storytelling, funded under the Future and Emerging Technologies (FET) programme and led by Katholieke Universiteit Leuven, Belgium
- work to integrate energy-related data with a set of tools for visualising, simulating and analysing the interrelationships between factors determining CO₂ production, led by Ingeniería i Arquitectura La Salle, Spain, and supported under the ICT for Low Carbon Economy theme
- a Coordination Action to define and promote advances in innovation for

digital fabrication and its use with new materials and processes, led by OCE Technologies BV, part of the Canon Group, in the Netherlands.

Support for collaborative work has also been received from the EC's Prevention of and Fight against Crime programme, along with project funding from UK organisations (including the Higher Education Academy and charities such as Arthritis Research UK).

The University continues to work with a wide range of external partners to develop and apply research, encompassing collaboration with academic, commercial, public sector and voluntary organisations. Ongoing collaboration includes the Health and Social Care Institute's continued role in Fuse, the region's Centre for Translational Research in Public Health, which brings together the North East's five universities to work with the NHS, local government and other bodies. New initiatives from the past year include collaboration with the Middlesbrough Partnership, Middlesbrough Council and the Institute for Local Governance to share a body of knowledge, developed over five major projects by the Social Futures Institute, on worklessness, social exclusion, and the experience of young people. In Olympic year, the Institute for Design, Culture and the Arts worked with partners to develop a digital installation which uses animation to show how disabled athletes move – a development which formed part of the London 2012 Cultural Olympiad Festival.

TeesRep, the University's institutional repository of research publications, celebrated its first birthday in November 2011, shortly after Open Access Week was held to promote the benefits of open access to research findings. In its first year, 850 research outputs were added to TeesRep, attracting 57,000 views and over 44,000 downloads, and helping to improve the visibility of the University's research output.

The University's International Visiting Academics scheme continues to support international networking and collaboration. Researchers from the US, China, Australia, Spain and Gambia will visit the University as a result of awards made in 2011-12. Teesside researchers have also been funded to make overseas visits including to research partners in Israel, South Africa and the US.

We have made significant changes to the admissions and registration process for new research students, as well as refining our academic monitoring milestones to improve the efficiency and effectiveness of our research degree processes. This followed from a comprehensive review of research degree administration processes, carried out by a cross-university Process Review Group. We changed our committee structure so that oversight of postgraduate research students is now carried out more directly by the University Research Degree Committee, with representation from the Schools and Research Institutes.

Business Engagement Activities

A significant piece of work was undertaken in 2011-12 to analyse the performance of the University's current business engagement model and to benchmark it against those of other HEIs. The final report and recommendations were used as the basis for a major action plan in 2012-13, aimed at raising the profile and performance of business engagement activity in the context of national and LEP policy and of changing funding arrangements. Key priorities are marketing and communications, both internal and external; growth of graduate enterprise and student entrepreneurship; development and consolidation of strong business relationships in Darlington; closer relationships between research and business engagement; and establishing a Business Board. Alongside these developments, business income and activity targets will be a primary focus.

The University's strong reputation for quality was reinforced during the year by the award of Putting the Customer First (PCF) accreditation for all of its business engagement activity across all Schools – the only HEI in the country to achieve accreditation at this level. PCF is a quality badge with national recognition.

As lead partner in the European Enterprise Network (EEN) North East, the University continued to build both European and regional business connections and to develop the EEN offer (promoting research, trade and innovation partnerships and development opportunities for NE business) as a valuable element of its business portfolio. A further two years of funding was secured for the network in May 2012, providing the

opportunity to grow a strong European presence with the support of a committed business board.

Enterprise and Knowledge Transfer

DigitalCity Innovation (DCI), a flagship project for the University, won a further round of ERDF grant during the year, enabling it to build on an strong foundation of job and business creation in digital media and technologies. With almost 200 companies now created since 2008, DCI puts an estimated £20m back into the Tees Valley economy every year. It has expanded its offer now to include foresighting, industry workshops, and six-month digital industry placements for graduates, making a significant contribution to employability and employment. The year also saw University investment of over £200K in DCI's sister project, DigitalCity Business, to enable the business development arm of DigitalCity to continue operating in the face of public funding reductions. Together with a similar investment by Tees Valley Unlimited and smaller investments by the Tees Valley local authorities, this led to the creation of a new DigitalCity Board with new terms of reference and a new chair.

Knowledge transfer programme successes in the year included another Grade A – Outstanding award. This brought the total number of Grade As to five for the School of Science and Engineering, and means that over 70% of the University's recent KTPs have achieved the highest quality grade available – compared with an average national rate of 8%. The University continued to deliver KTPs funded from ERDF and aimed specifically at regional SMEs. A social enterprise strategy was agreed during the year, and its implementation is now under way with a structured support and training programme provided by Acumen, a social enterprise support organisation with a high national profile and excellent support networks. The University was successful in winning an award from UnLtd, a national support organisation, in a competition sponsored by the HEFCE. The award will enable viable social enterprise proposals from staff and students to receive both financial and coaching and mentoring support. These developments will be

instrumental in supporting the University's aim to develop a strong social enterprise support structure, both on campus and for the wider community.

Commercialisation activity included the establishment of two spinout companies, Dynamic Motion Detection (DMD) and Teesside Wire. Commercial development funding was put into DMD to develop its product for the commercial market.

Workforce Development

The HEFCE's funding of the University's £5.13m Strategic Development Fund (SDF) project, Building the Future, ended during 2011-12. The anticipated outturn of full-time equivalent students on workforce development programmes for 2011-12 exceeded 1,000, representing over 3,000 learners and almost four times the figure for the first year of SDF support. A detailed evaluation of Building the Future by external consultants, confirming the project's good performance and highlighting areas of good practice, was submitted to the HEFCE with the final accounts. The project was featured at the University's own dissemination conference in November 2011, as well as in numerous national conferences. The University's success in delivering workforce development programmes was recognised by the HEFCE through the award of a £1m Transition Fund grant in July 2012 to support the development and implementation of a sustainable workforce development strategy after the HEFCE funding ceases.

The grant from the Transition Fund was awarded on the basis of a strong focus on engineering, leadership, management, health, the development of strategic partnerships to open up new routes to market and business development in and around Darlington. The Transition Fund project forms the focus for strategic development of business opportunities in 2012-13. Most of the funding (around £600K) will be used to support employers to engage in two-year workforce development programmes.

Financial Performance

Key Financial Data	2011-12 £000	2010-11 £000
Total income	132,361	145,865
Total expenditure	121,001	133,290
Surplus for the year	11,360	12,575
Exceptional items (included in above):		
Voluntary severance scheme	(1,201)	(3,118)
Capital additions	2,699	8,819
Cash at bank and in hand including money market investments	68,107	57,243
Borrowings	6,742	7,383
Total funds (net assets)	133,405	113,545
Cash flow generated from operations	13,458	8,558

In financial terms, 2011-12 has proved to be another successful year for the University. Despite a reduction in overall income, the University has managed expenditure to generate an operating surplus of £11.4m and to meet all of the financial KPIs included in the Financial Strategy.

The net assets of the University increased by £19.9m to £133.4m. The main item of capital expenditure related to the extensive redevelopment of the library (which is now over 13 years old). The improvements provide a wider variety of learning environments ranging from informal zones, through spaces which accommodate evolving technologies, to traditional areas for silent study.

The University participates in the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS). The TPS is accounted for on a contribution basis, whereas the LGPS is accounted for under FRS 17. The FRS 17 accounting has resulted in a charge of £1.9m to the income and expenditure account (over and above the contributions made). Actuarial gains and losses are charged/credited to the Statement of Recognised Gains and Losses. For the year to 31 July 2012, there was an actuarial gain of £9.4m, largely as a result of a change in the assumption relating to salary increases from 5.0% to 2.6%. These amounts account for the decrease in the pension fund deficit from £24.0m to £16.5m.

The University holds significant cash balances which it invests in money market deposits and AAA rated liquidity funds. It operates to an agreed counterparty list as set out in the Treasury Management Policy. This list sets out investment limits and minimum ratings requirements for deposit-takers. In view of the current economic climate, the Policy was reviewed comprehensively during 2011-12 to ensure that the University minimises the exposure to risk of its funds. Regular reports on Treasury Management were taken to the Governors' Resources Committee.

Cash flow from operations for the year was £13.5m. The University invested a further £10.0m in money market deposits, made loan repayments of £0.9, and incurred net capital expenditure of £1.9m.

Human Resources

Teesside University acknowledges that its staff are its most valuable asset. This is demonstrated by providing and enhancing a wide range of initial and continuing development opportunities for all staff groups, to enable them to implement the University's mission, corporate objectives and core strategies.

In December 2011, the University achieved Gold status following an extensive Investors in People review. Over the last three years, the University has progressed from Bronze to Gold status, a fact which recognises the on-going commitment to, and continuing enhancement of, the learning and development support we provide to all our staff. It is particularly significant that the University achieved this level of recognition during a challenging period.

Communication with all staff continues to be a key priority at a time of major and frequent change in the sector. The outcomes of the University's staff survey (being conducted in October 2012) will be a strong indicator of the extent to which the University is balancing the need to respond to changes whilst still maintaining its reputation as an employer of choice.

It is particularly encouraging to note that, in these times of austerity, the University is still committed to investing in the training and development of staff as a major factor in supporting the University's focus on enhancing the student experience and

improving employment opportunities for students.

During 2011-12, the focus of the Department for Learning Development has been to provide learning and development programmes which have been identified through a series of discussions about training needs with Deans/Directors, Learning and Teaching Coordinators, Technology Enhanced Learning Coordinators and Staff Development Coordinators. This approach has assisted Schools and Departments to focus and identify their specific learning and development needs for individuals, groups and teams. This approach has also ensured that the Department for Learning Development has planned and resourced learning and development activities which have efficiently and effectively met the University's needs.

Some of the key achievements during 2011-12 have been:

- The design, development and delivery of a training programme to equip staff with the relevant knowledge to enable the University to comply with its duties as a UK Border Agency (UKBA) Highly Trusted Sponsor. Following evaluation of the event, further training will be provided to more staff at the start of the 2012-13 academic year.
- The 2012 Graduate Intern Programme, which comprised a weekly learning and development programme designed to develop and enhance the graduates' employability skills. Evaluation of the learning and development aspect of the programme highlighted that all of the interns had benefited from engaging with the learning and development activities. Activities in team building and communication were regarded as the most beneficial components.
- Continued support to School annual conference events, to encourage and focus staff engagement in enhancing the student experience.
- Supporting the facilitation of a tailored Senior Management development session, designed for the Vice-Chancellor and the University Corporate Executive Team, to develop a shared understanding of how they will collectively lead the University through a period of change.
- Funding from the University's Central Staff Development Budget, which has enabled 103 members of staff to continue

to receive support to undertake HE accredited courses and qualifications.

The funding criteria are reviewed on an annual basis to ensure their effectiveness against University/School/Department strategies and plans.

- Given the requirement for efficiency savings across the sector, the University continues to examine carefully all expenditure on staffing. In addition to the 2012 voluntary severance scheme, which generated savings of £1.4m, there have been a number of restructures and changes to working practices which have delivered further efficiencies, usually by making more effective use of technology and/or by economies of scale. This has enabled the deployment of some additional staffing to support growth activities. Work is also underway to examine the extent to which the use of casual staff and hourly-paid staff is appropriate.

Equal Opportunities

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

Further initiatives have been developed during 2011-12 to embed consideration of equality and diversity within the operations of the University. Key developments have included establishing an equality and diversity action plan, enhancing equality and diversity management information, introducing monitoring for sexual orientation and religion and belief, delivering training for relevant staff on the equality and diversity considerations of the research excellence framework, and extending more generic training for line managers on managing diversity in the workplace.

Physical Resources

In the last six years, the University has spent over £52m on new buildings and improvements to existing buildings. As noted earlier in this report, the main item of capital expenditure in 2011-12 related to the redevelopment of the library.

The University has also spent a significant amount of money on long-term maintenance projects, including:

- replacing electric heating with gas heating at a number of locations
- refurbishing a number of University buildings
- internal improvements to a number of Halls of Residence.

There has also been investment in ICT equipment and resources, with funds being provided both by the University and by the HEFCE, through the learning and teaching capital allocations.

Environmental Developments

The University continues to monitor its environmental progress through Eco Campus, the framework management system specifically designed for the higher education sector, which recognises staged progression towards ISO 14001 registration. The University is currently working towards achieving the second stage (Silver) award.

The University has successfully maintained its 2:1 status in the People and Planet Green League, even though the scoring criteria have become more stringent. The progress has been achieved through the growing partnership between the staff in the Estates Division of the Campus Facilities Department and Environmental Representatives from every School and Department.

The wide range of activities monitored within the Eco Campus framework has been kept under formal review by the University's Environmental Advisory Group, which has, during the year, reviewed and amended a series of environmental Policies, Procedures, and Practices.

The University achieved a reduction of 4.8% in carbon emissions (compared to the prior year) reflecting the first year of investment in the Carbon Reduction Programme and a

range of energy conservation measures. This reduction was achieved despite an increase in University space – the Darlington Campus. Projects during 2011-12, the second year of the University's ten-year Carbon Reduction Programme, included converting the heating within a further three halls of residence from electricity to gas-fired, commissioning a combined heat and power unit in the Middlesbrough Tower, and introducing automatically-controlled low-energy lighting systems throughout various buildings.

The University successfully completed the Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) registration process. The University was ranked 11th within the Universities and Colleges Sub-Group (highest in the North of England), demonstrating the University's commitment to improving energy efficiency and reducing carbon emissions.

During 2011-12, progress was maintained towards diversification of the means by which students and staff arrive at the Middlesbrough campus. The Cannon Park Way Park and Ride scheme continued to be very successful, and the University provided a shuttle bus from a new bus-shelter on Southfield Road to Cannon Park Way, via Middlesbrough Railway Station.

Key Performance Indicators

The University's key performance indicators include the student retention and completion indicators which are an important part of the University's Access Agreement with OFFA.

The key performance indicators cover the whole range of the University's operations, including:

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

Achievements during 2011-12 included:

- the average tariff points score of UK students entering full-time degree programmes at Teesside has increased from 259 points (for the 2006 entry cohort) to 316 points (for the 2011 entry cohort)

- the percentage of students gaining first class or upper second class degrees has increased to 52.8% in 2010-11
- National Student Survey scores have improved. The overall satisfaction score for all respondents has increased, with 86% being achieved in 2012.

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

Principal Risks and Uncertainties

Significant risks to the University are regularly assessed, with reference to a risk register. The University has mitigating actions in place to reduce the impact and likelihood of 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 small number of significant financial risks.

The Board of Governors has identified the following as the most significant risks to the University:

- **inability to achieve enrolment targets for home and EU students**
- **inability to achieve enrolment targets for international students**
- **failure to meet UKBA requirements.**

These risks are detailed below:

1. Inability to achieve enrolment targets for home and EU students

The uncertain impact of the new student funding arrangements, which has applied to new entrants from September 2012, continues to present the University with significant challenges. The University has had to consider the likely responses of potential applicants to a substantial increase in tuition fees, even though students are not required to start meeting these costs until after graduation, and how to position itself in a market where fees can vary between institutions and subjects.

The Higher Education White Paper, published on 28 June 2011, contained a proposal to

remove student places from institutions on a pro rata basis, to create a margin to be allocated in response to competitive bids.

It also proposed to prevent universities from bidding for places from the margin unless their average annual fee, after waivers, was below £7,500. Therefore, the University amended its original fee and bursary strategy, which formed part of the Access Agreement approved by OFFA in July 2011. The University changed its proposal to set a single annual fee for degree programmes, at £8,500, to a graduated fee structure for degree programmes, with fees in three bands between £7,450 and £8,450, according to the subject of study, and fees for foundation degrees of £5,500. The revised Access Agreement was approved by OFFA in October 2011, and the University was successful in the competitive bidding process, being allocated more places than the number removed to create the margin.

The risks of failing to recruit the allocated numbers, and of failing to attract sufficient students with qualifications at or above AAB at A-level or equivalent, who are outside the recruitment cap, have been addressed through a corporate recruitment strategy, which has resulted in enhanced marketing activities, improved processes for tracking and managing applications from initial enquiry through to enrolment, improved monitoring of competitor activity, and the appointment of marketing account managers in each School.

Initial indications for 2012-13 are that the University has filled over 95% of its allocated places for students with qualifications below AAB at A-level or equivalent. This will enable the University to mitigate HEFCE grant penalties for over-recruitment in previous years, and is not expected to disadvantage the University in the allocation of places for 2013-14.

The University experienced a 20% reduction in recruitment of students with qualifications at or above AAB or equivalent, but it should be noted that the national pool of candidates with qualifications at this level proved to be substantially smaller than expected.

2. Inability to achieve enrolment targets for international students

The pausing of the University's license for a period during 2011-12 has caused some disruption to recruitment activities. As a

result, student enrolments in October 2012 have been significantly lower than in recent years.

The University is implementing a strategy to restore international student numbers to their previous levels by 2014-15. This includes: further enhancements to the University's website to include detailed country pages for the major markets; a major agent and partner conference at Teesside in October 2012; an enhanced campaign for February 2013 entry; major events in key countries for partners and agents (China, Malaysia and India); a targeted media campaign in key markets; and enhanced web advertising.

3. Failure to meet UKBA requirements

Extensive work took place during 2011-12 to identify enhancements to current processes, and to embed these across the University, to ensure continuation of the UKBA's highly trusted status.

These included:

- a comprehensive review of the systems for establishing the records relating to International Students, and for regular updating and monitoring of these records
- significant enhancements to the systems for recording attendance and engagement of International Students
- appointing Lead Monitoring Officers in every School
- establishing a compliance team within the Student Records & Information Department
- establishing an independent compliance function, with the new post of Compliance Auditor located in the new Department of Quality & Governance (now distinct from the Student Records & Information Department)
- commissioning monthly compliance checks by the University's Internal Auditors
- establishing regular co-ordination reviews by the University Secretary (triangulating reports by the International Student Records Manager, the Compliance Auditor, and Internal Audit)
- establishing regular reviews of the operation of attendance monitoring systems by the Deputy Vice-Chancellor (Learning and Student Experience)
- establishing a comprehensive training and staff development programme

- inclusion within the University's Risk Register of 'non-compliance with UKBA requirements' as a separate risk in its own right.

As a result of the additional work undertaken during 2011-12, the University was reported to have arrangements for UKBA compliance which were 'among the best in the sector'.

Further improvements planned during 2012-13 include:

- introducing student engagement software and card-reader technology, to enhance monitoring of attendance and to facilitate analysis of attendance
- enhancing liaison with UKBA officers, to ensure timely exchange of information
- active membership of the North-East UKBA Compliance Group, to ensure that regional universities resolve common issues in partnership with UKBA
- improved information dissemination throughout the University
- greater co-ordination of immigration advice for students.

Trends and Factors Affecting Future Performance

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

Academic Profile

- continued impact of the introduction of variable tuition fees
- changing training and knowledge transfer demands of key employers
- revisions to our workforce development strategy, necessitated by policy and funding changes at national level
- revisions to the postgraduate taught and part time portfolios to reflect the changing circumstances and funding arrangements of these student groups
- further development and exploitation of key markets for international recruitment and trans-national education delivery
- refinement of the offer at the Darlington campus and related expansion of student recruitment and business engagement activity

- identification of emerging areas of academic expertise, linked to external market demand, that can be capitalised upon to deliver future growth
- development of strategic partnerships with external stakeholders and partners that can anchor the University's activity and provide a platform for future growth
- exploitation of emerging opportunities to expand access to learning through different modes of study such as flexible learning, work-based learning, distance learning, etc.
- continued enhancement of the portfolio of student support and retention activities to maximise student progression and attainment
- action to embed employability skills in all programmes of study and to deliver a step change in employment six months after graduation.

External Factors

- demographic trends in the Tees Valley region
- fundamental changes in the commissioning and funding of higher education by government, the NHS and other public bodies
- ongoing impact on student demand for higher education of rising tuition fees and changes to the student funding support regime
- intensification of the competition from other providers of higher education, and expansion of the involvement of the private and further education sectors in higher education delivery
- funding of public sector pension schemes, and phasing out of default retirement age
- changes in the funding of research and likely tendency towards greater concentration of research funding from all sources.

Corporate Activity to Maintain Financial Sustainability

- the need to continue to prioritise financial stability, to allow us to make considered responses
- streamlining of systems and processes to improve operating efficiency
- implementation of major cost reduction programmes

- increase recruitment of full cost international students and students who are outside the student number controls
- the need to continue to work in close strategic partnership with our local network of indirectly funded HE Business Partnership colleges whilst systematically expanding our wider partnership network with colleges throughout the North East, Yorkshire and Humberside, and investigating strategic partnerships with other private providers
- focus on expanding services which are not dependent on public sector support – for example, consultancy and commercial research.

Conclusions

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

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

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



Chair of Governors



Vice-Chancellor

Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of these accounts to understand how the principles have been applied.

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

Summary of the University's Structure of Corporate Governance

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

The University's Board of Governors comprises up to 17 lay persons appointed under the University's Instrument and Articles of Government, four representatives of staff and students and the University's Chief Executive, the Vice-Chancellor. The role of Chair of the Board of Governors is separated from the role of the University's Chief Executive, the Vice-Chancellor. The Board of Governors is ultimately responsible for all activities of the University. By the Instrument and Articles of Government, and under the Financial Memorandum with the HEFCE, the Board of Governors is responsible for the ongoing strategic direction of the University, approval of major developments, and the receipt of regular reports from the Vice-Chancellor and the Board's committees on the operations of its business and its subsidiary companies.

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

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

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

The Nomination Committee considers nominations for vacancies on the Board.

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

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

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



Responsibilities of the Board of Governors

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

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

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

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

The Board of Governors has taken reasonable steps to:

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

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

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

Statement of Internal Control

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

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

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

The system of internal control is based on a continuous process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process, which accords with the HEFCE guidance, has been in place for the year ended 31 July 2012 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 Deputy University Secretary having day-to-day responsibility for risk management within the University

- the Audit Committee receives regular reports from the internal auditors which include an independent opinion on the adequacy and effectiveness of the University's risk management, governance, internal control and arrangements to provide value for money, together with recommendations from the internal auditors for improvement and
- the Board of Governors receives regular reports from the Chair of the Audit Committee concerning internal control and it requires regular reports from senior managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects.

The Board of Governors accepts the conclusion of the Audit Committee's Annual Report as follows:

'Given the breadth of issues considered by the Committee in 2011-12, the consideration given by External Auditors, the Internal Auditors, the Management of the University and the Audit Committee itself, the Committee is satisfied that the University is properly financially managed, has effective internal control and management systems, has effective risk management control and governance arrangements, has satisfactory arrangements to promote the economy, efficiency and effectiveness of the University's activities, and has satisfactory arrangements for the management and quality assurance of the data submitted to HESA, HEFCE and other funding bodies.'

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 2012 which comprise the consolidated income and expenditure account, the consolidated and University balance sheets, the consolidated cash flow statement, the consolidated statement of historical cost surpluses and deficits, the consolidated statement of total recognised gains and losses and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

Respective Responsibilities of the Board of Governors and Auditor

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2012 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 2012 have been applied for the purposes for which they were received and
- in all material respects, income during the year ended 31 July 2012 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

7 December 2012

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 2012. 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, ie the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

Agency Arrangements

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

Leases and Hire Purchase Contracts

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

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

Taxation

The University is an exempt charity within the meaning of schedule 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 and 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 2012.

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

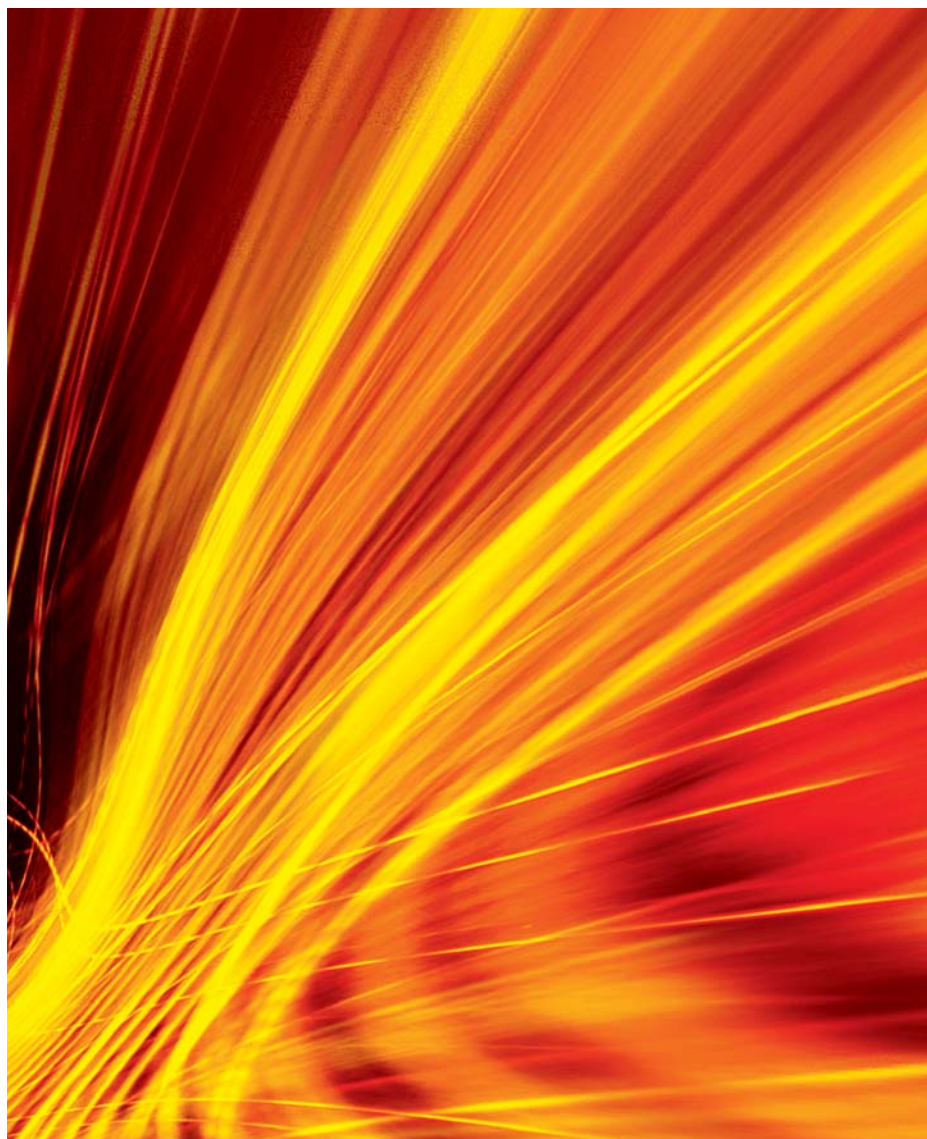
The University contributes to the Universities Superannuation Scheme (USS), the Local Government Superannuation Scheme (LGPS) and the Teachers' Pension Scheme (TPS). All schemes are defined benefit schemes which are contracted out of the Second State Pension (S2P).

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 2012 £000	Year ended 31 July 2011 £000
Income			
Funding body grants	1	53,707	61,157
Tuition fees and education contracts	2	62,910	66,439
Research grants and contracts	3	2,862	3,622
Other income	4	12,154	14,104
Endowment and investment income	5	728	543
Total Income		132,361	145,865
Expenditure			
Staff costs	6	75,147	79,679
Other operating expenses		40,066	48,073
Depreciation	11	5,281	5,076
Interest and other finance costs	7	507	462
Total Expenditure	8	121,001	133,290
Surplus on continuing operations after depreciation of assets at valuation before and after tax		11,360	12,575
Surplus for the year transferred to accumulated income in endowment funds		(2)	(3)
Surplus for the year retained within general reserves	22	11,358	12,572

All items of Income and Expenditure arise from continuing operations.

Statement of Group Historical Cost Surpluses and Deficits

	Note	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		11,360	12,575
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	705	725
Historical cost surplus for the year before and after tax		12,065	13,300

Statement of Group Total Recognised Gains and Losses

	Note	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		11,360	12,575
Appreciation of endowment assets	21	–	11
Actuarial gain/(loss) in respect of pension scheme	29	9,365	(5,663)
Total recognised gains relating to the year		20,725	6,923
Reconciliation			
Opening reserves and endowments		94,801	87,878
Total recognised gains for the year		20,725	6,923
Closing reserves and endowments		115,526	94,801

Balance Sheets as at 31 July

	Note	Consolidated		University	
		2012 £000	2011 £000	2012 £000	2011 £000
Fixed assets					
Tangible assets	11	108,224	110,983	108,468	111,227
Investments	12	30	30	59	59
		108,254	111,013	108,527	111,286
Endowment assets	13	209	207	209	207
Current assets					
Stock		49	42	38	38
Debtors	14	8,820	9,617	11,149	12,364
Investments	15	42,987	33,048	42,987	33,048
Cash at bank and in hand		25,120	24,195	24,112	23,065
		76,976	66,902	78,286	68,515
Less: creditors – amounts falling due within one year	16	(21,088)	(25,326)	(23,097)	(27,569)
Net current assets		55,888	41,576	55,189	40,946
Total assets less current liabilities		164,351	152,796	163,925	152,439
Less: creditors – amounts falling due after more than one year	17	(8,921)	(9,905)	(8,921)	(9,905)
Less: provisions for liabilities	19	(5,559)	(5,386)	(5,559)	(5,386)
Total net assets excluding pension liability		149,871	137,505	149,445	137,148
Net pension liability	29	(16,466)	(23,960)	(16,466)	(23,960)
Total net assets including pension liability		133,405	113,545	132,979	113,188

Balance Sheets as at 31 July continued

	Note	Consolidated		University	
		2012 £000	2011 £000	2012 £000	2011 £000
Deferred capital grants	20	17,879	18,744	17,879	18,744
Endowments					
Expendable		41	42	41	42
Permanent		168	165	168	165
	21	209	207	209	207
Reserves					
Income and Expenditure account excluding pension reserve		112,931	98,997	112,505	98,640
Pension reserve	29	(16,466)	(23,960)	(16,466)	(23,960)
Income and Expenditure account including pension reserve	22	96,465	75,037	96,039	74,680
Revaluation reserve	23	18,852	19,557	18,852	19,557
Total reserves		115,317	94,594	114,891	94,237
Total funds		133,405	113,545	132,979	113,188

The *Financial Statements* on pages 20 to 49 were approved by the Board of Governors on 16 November 2012 and were signed on its behalf by:



Chair of Governors



Vice-Chancellor

Consolidated Cash Flow Statement

	Note	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
Net cash inflow from operating activities	24	13,458	8,558
Returns on investments and servicing of finance	25	239	(100)
Capital expenditure and financial investment	25	(1,898)	(7,140)
Management of liquid resources	25	(9,939)	10,948
Financing	25	(926)	(876)
Increase in cash in the year		934	11,390
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		934	11,390
Change in short-term deposits		9,939	(10,948)
Change in debt		926	876
Change in net funds		11,799	1,318
Net funds at 1 August		46,489	45,171
Net funds at 31 July	26	58,288	46,489

Notes to the Financial Statements, Year Ended 31 July 2012

1 FUNDING BODY GRANTS

	2012	2011
	£000	£000
Recurrent grants		
Higher Education Funding Council	50,550	50,747
Training and Development Agency	8	55
Specific grants		
Higher Education Innovation Fund	1,117	1,684
Research Capital Investment Fund	–	307
Teaching Capital Investment Fund	106	3,208
Strategic Development Fund	164	1,615
Teaching Quality Enhancement Fund	–	519
Access and Widening Participation	75	796
Joint Information Systems Committee Fund	102	87
Pathfinder	22	52
CETL	3	1
Economic Challenge Investment Fund	–	131
Graduate Internships	–	194
National Teaching Fellowships	23	14
Other	3	61
Deferred capital grants released in year		
Buildings (note 20)	202	200
Equipment (note 20)	1,332	1,486
	<u>53,707</u>	<u>61,157</u>

2 TUITION FEES AND EDUCATION CONTRACTS

	2012	2011
	£000	£000
Full-time home and EU students	25,406	24,412
International students	12,094	15,281
Part-time students	5,959	5,625
Education contracts	19,451	21,121
	<u>62,910</u>	<u>66,439</u>

3 RESEARCH GRANTS AND CONTRACTS

	2012	2011
	£000	£000
Research Councils	603	551
UK-based charities	215	497
UK central government	351	614
UK Health Service	594	668
European Commission	898	806
Other grants and contracts	201	486
	<u>2,862</u>	<u>3,622</u>

4 OTHER INCOME

	2012	2011
	£000	£000
Residences, catering and conferences	4,073	3,954
Other income-generating activities	662	798
Other grant income	3,816	5,042
Release from deferred capital grants (note 20)	415	395
Other income	3,188	3,915
	<u>12,154</u>	<u>14,104</u>

5 ENDOWMENT AND INVESTMENT INCOME

	2012	2011
	£000	£000
Income from permanent endowments (note 21)	5	6
Income from short-term investments	723	528
Pension finance return	–	9
	<u>728</u>	<u>543</u>

6 STAFF

	2012	2011
	£000	£000
Staff costs		
Wages and salaries	59,106	61,890
Social security costs	4,802	4,894
Other pension costs (note 29)	9,498	9,380
Increase in the provision for enhanced pensions (note 19)	540	397
Restructuring costs	1,201	3,118
	<hr/> 75,147	<hr/> 79,679

Emoluments of the Vice-Chancellor

	£	£
Salary	215,059	221,567
Benefits in kind	17,517	16,379
	<hr/> 232,576	<hr/> 237,946

Pension costs (on the same basis as for other academic staff)

30,323	31,241
<hr/> 262,899	<hr/> 269,187

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

	2012	2011
	number	number
£100,000 - £109,999	1	1
£110,000 - £119,999	3	1
£120,000 - £129,999	1	3
	<hr/>	<hr/>

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

Academic and research	705	749
Administrative and technical	781	831
Other	131	137
	<hr/> 1,617	<hr/> 1,717

7 INTEREST AND OTHER FINANCE COSTS

	2012	2011
	£000	£000
Bank loans not wholly repayable within five years	58	60
Finance leases	372	402
Pension finance cost	77	–
	<hr/> 507	<hr/> 462

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	2012	2011
	£000	£000
Academic departments	65,538	69,805
Academic services	11,900	13,775
Research grants and contracts	2,385	3,138
Residences, catering and conferences	3,718	3,573
Premises	11,734	12,140
Administration	18,495	19,782
Other	7,231	11,077
	<hr/> 121,001	<hr/> 133,290

Other operating expenses include

External auditor's remuneration in respect of audit services	44	48
External auditor's remuneration in respect of non-audit services	5	4
Operating lease rentals		
Land and buildings	919	880
Equipment	158	112
	<hr/>	<hr/>

9 SURPLUS ATTRIBUTABLE TO PARENT UNDERTAKING

The surplus dealt with in the accounts of the parent undertaking was £11,289,000 (2011: £12,756,000).

10 INTANGIBLE FIXED ASSETS – GOODWILL

	Consolidated and University £000
Cost	
At 31 July 2012 and 31 July 2011	270
Amortisation	
At 31 July 2012 and 31 July 2011	270
Net Book Value	
At 31 July 2012 and 31 July 2011	–

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
	£000	£000	£000	£000	£000
Consolidated Cost/Valuation					
At 1 August 2011	128,950	10,517	137	20,370	159,974
Additions in year	281	1,145	–	1,273	2,699
Transfers in year	9,765	(10,324)	–	559	–
Written off in year	–	(177)	–	(350)	(527)
At 31 July 2012	138,996	1,161	137	21,852	162,146
Depreciation					
At 1 August 2011	31,624	–	76	17,291	48,991
Charge for year	3,404	–	27	1,850	5,281
Written off in year	–	–	–	(350)	(350)
At 31 July 2012	35,028	–	103	18,791	53,922
Net Book Value At 31 July 2012	103,968	1,161	34	3,061	108,224
At 31 July 2011	97,326	10,517	61	3,079	110,983

11 TANGIBLE FIXED ASSETS continued

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
University	£000	£000	£000	£000	£000
Cost/Valuation					
At 1 August 2011	129,313	10,517	137	19,016	158,983
Additions in year	281	1,145	–	1,273	2,699
Transfers in year	9,765	(10,324)	–	559	–
Written off in year	–	(177)	–	(350)	(527)
At 31 July 2012	139,359	1,161	137	20,498	161,155
Depreciation					
At 1 August 2011	31,624	–	76	16,056	47,756
Charge for year	3,404	–	27	1,850	5,281
Written off in year	–	–	–	(350)	(350)
At 31 July 2012	35,028	–	103	17,556	52,687
Net Book Value					
At 31 July 2012	104,331	1,161	34	2,942	108,468
At 31 July 2011	97,689	10,517	61	2,960	111,227

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

11 TANGIBLE FIXED ASSETS continued

At 31 July 2012 the net book value of freehold land and buildings, for the group and the University, includes £772,000 (2011: £946,000) in respect of assets held under finance leases. The depreciation charge for the year on these assets was £174,000 (2011: £174,000).

Analysis of cost or valuation

	Freehold land and buildings	Assets in the course of construction	Vehicles	Equipment and furniture	Total
	£000	£000	£000	£000	£000
Consolidated					
1997 Professional Valuation	48,167	–	–	–	48,167
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	88,185	1,161	137	21,852	111,335
At 31 July 2012	138,996	1,161	137	21,852	162,146
University					
1997 Professional Valuation	48,167	–	–	–	48,167
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	88,548	1,161	137	20,498	110,344
At 31 July 2012	139,359	1,161	137	20,498	161,155

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	
	2012 £000	2011 £000	2012 £000	2011 £000
Cost	113,654	103,608	113,958	103,912
Accumulated depreciation and impairment	(28,533)	(25,834)	(28,533)	(25,834)
Net book value	85,121	77,774	85,425	78,078

12 FIXED ASSET INVESTMENTS

	Other Investments £000		
Consolidated			
Cost			
At 31 July 2012 and 31 July 2011	30		

	Other Investments £000	Subsidiary Undertakings £000	Total £000
University			
Cost			
At 31 July 2012 and 31 July 2011	30	29	59
	-----	-----	-----

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

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

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

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

At 1 August 2011	207
Decrease in market value of investments	(7)
Increase in cash balances held for endowment funds	9

At 31 July 2012**209**

Valuation at 31 July 2012 £000	Valuation at 31 July 2011 £000
---	--------------------------------------

Fixed interest stocks	5	5
Equities	117	124
Bank balances	87	78

Total endowment asset investments**209** **207****Fixed interest stocks and equities at cost****124** **132****14 DEBTORS**

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Debtors	3,195	5,199	3,128	5,125
Prepayments and accrued income	5,625	4,418	5,568	4,390
Amounts due from subsidiary undertakings	–	–	2,453	2,849
	8,820	9,617	11,149	12,364

15 INVESTMENTS

	Consolidated and University	Consolidated and University
	2012	2011
	£000	£000
UK Government Treasury Bills	9,987	–
Deposits maturing in one year or less	33,000	33,048
	<u>42,987</u>	<u>33,048</u>

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 2012 the weighted average interest rate of these fixed rate deposits was 1.48% and the remaining weighted average period for which the interest rate is fixed on these deposits was 49 days. The fair value of these deposits was not materially different from the book value.

16 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Mortgages and unsecured loans	642	642	642	642
Obligations under finance leases	343	285	343	285
Payments received on account	6,289	6,116	5,554	4,983
Creditors	5,875	6,981	5,872	6,922
Social security and other taxation payable	1,564	1,584	1,560	1,584
Accruals and deferred income	6,375	9,718	6,340	9,662
Amounts due to subsidiary undertakings	–	–	2,786	3,491
	<u>21,088</u>	<u>25,326</u>	<u>23,097</u>	<u>27,569</u>

17 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Loans secured on residential and other property repayable by 2022	6,100	6,741	6,100	6,741
Obligations under finance leases (note 18)	2,821	3,164	2,821	3,164
	<u>8,921</u>	<u>9,905</u>	<u>8,921</u>	<u>9,905</u>

18 BORROWINGS

a Bank loans and overdrafts

	Consolidated and University	Consolidated and University
	2012	2011
	£000	£000
Bank loans and overdrafts are repayable as follows:		
Within one year	642	642
Between one and two years	642	642
Between two and five years	1,926	1,926
In five years or more	3,532	4,173
	<hr/> 6,742	<hr/> 7,383

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

b Finance leases

	Consolidated and University	Consolidated and University
	2012	2011
	£000	£000
The net finance lease obligations to which the University is committed are:		
Within one year	343	285
Between one and two years	409	343
Between two and five years	2,412	1,459
In five years or more	–	1,362
	<hr/> 3,164	<hr/> 3,449

The finance leases relate to academic and student accommodation.

19 PROVISIONS FOR LIABILITIES

Consolidated and University	Enhanced pensions £000
At 1 August 2011	5,386
Increase	540
Utilised in year	(367)
At 31 July 2012	5,559

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 2012	31 July 2011
Discount rate	2.4%	3.9%
Inflation	1.6%	2.6%

20 DEFERRED CAPITAL GRANTS

Consolidated and University	HEFCE £000	Other Grants £000	Total £000
At 1 August 2011			
Buildings	5,294	10,932	16,226
Equipment	1,601	917	2,518
Total	6,895	11,849	18,744
Cash received and receivable			
Buildings	–	100	100
Equipment	981	3	984
Total	981	103	1,084

20 DEFERRED CAPITAL GRANTS continued

Consolidated and University	HEFCE £000	Other Grants £000	Total £000
Released to Income and Expenditure Account			
Buildings (notes 1 and 4)	202	312	514
Equipment (notes 1 and 4)	1,332	103	1,435
Total	1,534	415	1,949
At 31 July 2012			
Buildings	5,092	10,720	15,812
Equipment	1,250	817	2,067
Total	6,342	11,537	17,879

21 ENDOWMENTS

Consolidated and University	Restricted Expendable £000	Restricted Permanent £000	2012 Total £000	2011 Total £000
At 1 August 2011				
Capital	39	58	97	86
Accumulated income	3	107	110	107
	<u>42</u>	<u>165</u>	<u>207</u>	<u>193</u>
Investment income	–	5	5	6
Expenditure	(1)	(2)	(3)	(3)
	<u>(1)</u>	<u>3</u>	<u>2</u>	<u>3</u>
Decrease in market value of investments	–	–	–	11
At 31 July 2012	41	168	209	207
Represented by				
Capital	39	58	97	97
Accumulated income	2	110	112	110
	<u>41</u>	<u>168</u>	<u>209</u>	<u>207</u>

21 ENDOWMENTS continued

Consolidated and University	Restricted Expendable £000	Restricted Permanent £000	2012 Total £000	2011 Total £000
Analysis by type of purpose:				
Lectureships	11	–	11	10
Prize funds	13	8	21	21
Scholarships and bursaries	17	31	48	49
Research support	–	129	129	127
	41	168	209	207

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 2011	126
Investment income	4
Expenditure	(1)
	129

At 31 July 2012

22 INCOME AND EXPENDITURE ACCOUNT

	Consolidated £000	University £000
At 1 August 2011	75,037	74,680
Surplus retained for the year	11,358	11,289
Transfer from revaluation reserve	705	705
Actuarial gain in respect of pension scheme	9,365	9,365
	96,465	96,039

At 31 July 2012

23 REVALUATION RESERVE

	Consolidated and University £000
At 1 August 2011	19,557
Transfer to Income and Expenditure Account	(705)
At 31 July 2012	18,852

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

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

	2012 £000	2011 £000
Surplus after depreciation of assets at valuation and before tax	11,360	12,575
Depreciation and write offs	5,458	5,076
Deferred capital grants released to income	(1,949)	(2,081)
Investment income	(728)	(534)
Interest payable	430	462
Profit on sale of fixed assets	–	(1)
Pensions cost less contributions payable	1,871	1,617
Increase in stocks	(7)	(8)
Decrease in debtors	855	1,362
Decrease in creditors	(4,005)	(1,550)
Increase/(decrease) in provisions	173	(8,360)
Net cash inflow from operating activities	13,458	8,558

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

	2012	2011
	£000	£000
Returns on investments and servicing of finance		
Income from endowments	5	6
Interest received	665	357
Interest element of finance lease rental payments	(372)	(402)
Other interest paid	(59)	(61)
	<u>239</u>	<u>(100)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,158)	(9,634)
Endowment funds invested	–	(14)
Sale of tangible fixed assets	–	1
Sale of endowment asset investments	7	14
Deferred capital grants received	253	2,493
	<u>(1,898)</u>	<u>(7,140)</u>
Management of liquid resources		
Net movement in short-term deposits	<u>(9,939)</u>	<u>10,948</u>
Financing		
Repayment of bank loan	(641)	(642)
Repayment of finance lease	(285)	(234)
	<u>(926)</u>	<u>(876)</u>

26 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2011 £000	Cash Flows £000	Other Non-cash Changes £000	At 31 July 2012 £000
Cash at bank and in hand				
Endowment assets	78	9	–	87
Other	24,195	925	–	25,120
	<hr/>	<hr/>	<hr/>	<hr/>
	24,273	934	–	25,207
Short-term deposits	33,048	9,939	–	42,987
Debt due within 1 year	(642)	642	(642)	(642)
Debt due after 1 year	(6,741)	(1)	642	(6,100)
Finance leases	(3,449)	285	–	(3,164)
	<hr/>	<hr/>	<hr/>	<hr/>
	46,489	11,799	–	58,288
	<hr/>	<hr/>	<hr/>	<hr/>

27 LEASE OBLIGATIONS

	Consolidated and University 2012 £000	Consolidated and University 2011 £000
At 31 July the annual commitments under operating leases were as follows:		
Buildings		
Expiring within one year	959	908
Equipment		
Expiring within one year	71	–
Expiring between two and five years	63	127
	<hr/>	<hr/>
	1,093	1,035
	<hr/>	<hr/>

28 FUTURE CAPITAL COMMITMENTS

	Consolidated and University 2012 £000	Consolidated and University 2011 £000
Commitments contracted at 31 July	878	853
	<hr/>	<hr/>

29 PENSION SCHEMES

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme England and Wales (TPS) and the Local Government Pension Scheme (LGPS), established locally as the Teesside Pension Fund (TPF). Six members (2011 – one) of staff are members of the Universities Superannuation Scheme.

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

	Year ended 31 July 2012 £000	Year ended 31 July 2011 £000
TPS: contributions paid	4,162	4,237
TPF: charge to the Income and Expenditure account	5,304	5,131
Contributions paid to other pension schemes	32	12
Total Pension Cost (note 6)	9,498	9,380
Outstanding pension contributions at 31 July	948	947

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

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

Teachers' Pension Scheme

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

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

Teesside Pension Fund

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

For the TPF, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The contribution payable by the employer was increased from 14.4% to 14.7% of pensionable salaries from April 2012. In subsequent years the rate will increase to 15.1%.

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 2012.

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

29 PENSION SCHEMES continued

A full actuarial valuation was carried out at 31 March 2010 and updated to 31 July 2012 on an FRS 17 basis by a qualified independent actuary. The material assumptions used by the actuary for FRS 17 at 31 July were:

	2012	2011
	%	%
Price increases	2.6	2.7
Salary increases	2.6	5.0
Pension increases	1.8	2.7
Discount rate	3.9	5.3

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

	2012	2011
	Years	Years
Retiring today		
Males	19.0	18.9
Females	23.1	23.0
Retiring in 10 years		
Males	21.0	20.9
Females	25.0	24.9

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

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

	2012		2011	
	Share of assets	Long term return	Share of assets	Long term return
	%	%	%	%
Equities	60	7.1	81	7.4
Gilts	10	4.0	7	4.3
Other bonds	21	5.3	2	5.4
Property	4	6.6	4	6.9
Cash	5	3.0	6	3.0

29 PENSION SCHEMES continued

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

	2012	2011
	£000	£000
Analysis of the amount shown in the balance sheet		
University's estimated asset share	100,269	95,715
Present value of the University's estimated share of scheme liabilities	(116,735)	(119,675)
	<u>(16,466)</u>	<u>(23,960)</u>
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	5,143	4,945
Losses on curtailments	139	186
Past service cost	22	–
	<u>5,304</u>	<u>5,131</u>
Analysis of amount charged to interest payable (2011 – credited to other finance income)		
Expected return on pension scheme assets	6,384	5,636
Interest on pension scheme liabilities	(6,461)	(5,627)
	<u>(77)</u>	<u>9</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	(4,468)	6,076
Changes in assumptions underlying the present value of the scheme liabilities	13,833	(10,227)
Experience gains and losses	–	(1,512)
	<u>9,365</u>	<u>(5,663)</u>
Movement in deficit during the year		
Deficit in the scheme at 1 August	(23,960)	(16,680)
Movement in year:		
Current service costs	(5,143)	(4,945)
Losses on curtailments	(139)	(186)
Past service costs	(22)	–
Contributions	3,510	3,505
Other finance (costs)/income	(77)	9
Actuarial gain/(loss)	9,365	(5,663)
	<u>(16,466)</u>	<u>(23,960)</u>
Deficit in scheme at 31 July	<u>(16,466)</u>	<u>(23,960)</u>

29 PENSION SCHEMES continued

	2012	2011
	£000	£000
Analysis of the movement in the present value of the scheme liabilities		
At 1 August	119,675	100,260
Current service cost	5,143	4,945
Interest cost	6,461	5,627
Contributions by scheme participants	1,600	1,643
Actuarial gains and losses	(13,833)	8,803
Benefits paid less individual transfers in	(2,472)	(1,789)
Losses on curtailments	139	186
Past service cost	22	–
	<u>116,735</u>	<u>119,675</u>

Analysis of movement in the market value of the scheme assets

At 1 August	95,715	83,580
Expected rate of return on scheme assets	6,384	5,636
Actuarial gains and losses	(4,468)	3,140
Contribution by the employer	3,510	3,505
Contributions by scheme participants	1,600	1,643
Benefits paid less individual transfers in	(2,472)	(1,789)
	<u>100,269</u>	<u>95,715</u>

History of experience gains and losses – cumulative

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

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Present value of scheme liabilities	(116,735)	(119,675)	(100,260)	(96,801)	(84,800)
Scheme assets	100,269	95,715	83,580	68,513	67,205
Deficit	<u>(16,466)</u>	<u>(23,960)</u>	<u>(16,680)</u>	<u>(28,288)</u>	<u>(17,595)</u>
Experience adjustments on scheme liabilities	–	1,424	–	–	1,757
Experience adjustments on scheme assets	(4,468)	3,140	6,926	(7,035)	(5,314)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £9,586,000 gain (2011: £221,000 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 2013 is £3,350,000.

The actual return on scheme assets in the year was £1,916,000 (2011: £11,711,000 return).

30 ACCESS FUNDS

	2012	2011
	£000	£000
HEFCE grants	608	606
Interest earned	3	2
	<hr/>	<hr/>
	611	608
Disbursed to students	(488)	(608)
	<hr/>	<hr/>
Balance unspent at 31 July	123	–
	<hr/>	<hr/>

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

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

31 RELATED PARTY TRANSACTIONS

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

The University paid £1,203 (2011: £1,488) to certain members of the Board of Governors as reimbursement of travel expenses. Governors did not receive any other payments.

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

The President of Teesside University Students' Union (TUSU) is a member of the Board of Governors. The financial statements of TUSU are separately audited and in accordance with accounting policy Basis of Consolidation the results are not consolidated with the University. TUSU received a block grant from the University of £734,000 (2011: £735,000) and other specific grants of £27,000 (2011: £15,000).

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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