Governors' Report and Financial Statements

2007-2008

UNIVERSITY OF TEESSIDE

Governors' Report and Financial Statements

2007-08

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OPERATING AND FINANCIAL REVIEW

Strategic Plan

Introduction

Originally founded as Constantine College, the institution was officially opened by the Prince of Wales, the future King Edward VIII, on 2 July 1930. The College became a polytechnic in 1969 and, in 1992, under Privy Council approval joined 13 other higher education institutions (HEIs) in becoming a new university.

The University derives income from a wide variety of sources but much of its funding comes from grants from the Higher Education Funding Council for England (HEFCE) and from tuition fees. HEFCE is the major public sector funder of HEIs as a whole, and the University, in common with all other HEIs, is accountable to HEFCE for the public funds which HEFCE provides. HEFCE is also being appointed as the principal regulator of the sector under the Charities Act. The relationship between the University and HEFCE is codified in a Financial Memorandum, which sets out the rights and responsibilities of both parties.

The University competes with other HEIs, and with further education colleges in some instances, to recruit students from the United Kingdom and abroad. It also has significant teaching contracts with National Health Service bodies and other organisations, obtained in competition with other providers.

The University is also subject to regulation by the Office for Fair Access (OFFA), in respect of the tuition fees which it charges to full-time undergraduate students and the financial assistance given to students, under the Higher Education Act 2004.

Mission

Central to the pursuit of the University's mission is a belief that widening opportunity and the pursuit of excellence can co-exist within the higher education system and all University learning takes place within a context of quality enhancement, where the University continually seeks to improve the quality of its academic provision and the whole student experience.

It is the University's aspiration to produce well-rounded, highly-skilled, enterprising graduates with specific subject or professional competence as well as the necessary skills for employability. In pursuit of this aspiration, the University maintains a very broad range of qualifications from Access and NVQ Level III programmes, through certificates and diplomas, foundation, ordinary and honours degrees, to master's programmes, postgraduate professional qualifications, taught and research-based doctoral programmes and other higher doctoral programmes by research.

The University of Teesside recognises the symbiosis between scholarship, teaching, research and enterprise. In order to ensure the best possible experience for its students it seeks to ensure that there is strategic alignment across these four areas.

Operations

Overview

The University strongly supports part-time and vocational provision, with almost 60% of all students currently studying on a part-time basis.

The University has a very strong sub-regional Higher Education Business Partnership (HEBP) with further education through which it provides access to extensive ladders/webs of higher education opportunities on a distributed basis.

The University is continuing to develop its research capability. A strong emphasis is also placed upon engendering an ethos of applied research and development capable of responding to regional needs through knowledge and technology transfer, business support and advice, the placement of students within the work environment, work-based learning and the creation of new start-up and spin-out companies. As a result, the University continues to ensure that its programmes of study are appropriately underpinned by research, scholarship and evidenced-based contemporary professional practice and equally makes a growing contribution to the wealth-generating capacity of the North East economy.

Raising Aspirations and Widening Participation

The University has a comprehensive range of initiatives in place designed to drive up aspirations and participation across the wider Tees Valley region, which also includes some areas within County Durham and North Yorkshire. The pre-16 work begins in primary schools (Year 6) as pupils join the Meteor programme and this continues as they transfer to secondary school. Partnership between schools, parents, the University and other organisations that support young people is a key feature of the programme in its initial stages. In 2007-08 HEFCE recognised the Meteor model as an examplar of good practice in working across primary and secondary schools and the University was funded to roll it out across the sector.

The University offers a Passport scheme in partnership with 29 colleges which has over 6,000 student registrations and offers encouragement and support to students considering progression to higher education. This has recently been enhanced by the introduction of 'Passport Plus' which is offered to key partners in the Tees Valley.

The University's record in widening participation continues to exceed all benchmarks and the excellence of our work is widely acknowledged, not least in the grant allocation from HEFCE.

Student Recruitment

In terms of the student profile the University aims to consolidate the number of full-time undergraduate students on campus and grow numbers in a limited number of key areas. This will be done by making changes to the academic portfolio in response to changes in student and employer demand and government funding priorities. This is particularly challenging as traditional applicant numbers are decreasing through changing demographics. The University also intends to grow the number of postgraduate students through the expansion of both taught and research-based programmes.

Part-time (PT) students represent a significant and growing proportion of the student body and numbers will continue to be increased by the development of PT-specific courses, increased delivery in the workplace and delivery in our partner colleges. The University and HEFCE are investing considerable resources in a range of workforce development programmes. Teesside is working with public sector bodies such as the health service, the police, local authorities and representative bodies whilst also developing relationships with other digital, business and engineering companies.

In order to assist in the delivery of these growth targets a review of the University's marketing and recruitment activities has been undertaken. The result of which is the need to establish a new Marketing and Student Recruitment Department, with a wide remit, bringing together a range of activities which have previously been spread over a number of departments.

An international recruitment strategy has been developed with a focus on increasing student recruitment from both EU and non-EU countries. The strategy is initially focusing on the development of markets in China, the Pacific Rim, India and the Gulf States with students studying courses either at the University or at education establishments in their home countries through partnership arrangements. To this end satellite offices have been opened in Malaysia and India and a significant sum has been invested by the University in developing its international recruitment activities.

Student Experience

The University strives to provide an excellent and relevant student learning experience for all within the University community. The 2008 National Student Survey identified that both our Design and Media Studies students are the most satisfied in their subject in the UK, and six other subject areas were in the top ten (for their subject) nationally for overall student satisfaction namely:

- Law
- History
- Medical Technology (Radiography)
- Nursing
- Forensic Work
- Sociology

It is pleasing to note that the overall level of recorded student satisfaction has increased for the third consecutive year to 83%, a level which is above the national average. Learning resources at Teesside also received outstanding scores achieving a 91% positive response to the question 'the library resources and services are good enough for my needs' and placing it joint third, just behind Oxford and Cambridge.

Whilst the results are extremely pleasing the University is aware that competitors are always striving to improve their rankings and will not become complacent. Any areas of concern identified within the Survey, of which there were a few, are being addressed.

Teaching

The University prides itself on providing its students with an excellent learning experience and has a long-established and successful institutional strategy for learning, teaching and assessment. The University continues to exceed the national benchmarks for student retention and achievement and during the year the University was commended as a model of best practice in a national study into student retention undertaken by the National Audit Office.

The University's excellence in teaching was once again recognised by the Higher Education Academy with the award of two further prestigious National Teaching Fellowships. The University now has a total of seven National Teaching Fellows and is one of only a small number of institutions to have received this number of awards. The high quality of teaching and student support were also recognised in the National Student Survey.

Considerable progress has been achieved in making e-learning a central feature of all University programmes and significant resource is being invested in evaluating and embedding new technologies to enhance the student experience. Work-based learning is also becoming an increasingly-significant feature of University provision in order to ensure that students are best prepared for employment.

The University is focusing its academic development around nine academic cross-institutional clusters where it is seeking to develop an enhanced reputation regionally, nationally and, in some cases, internationally. These clusters are identifying and developing specific curricula for undergraduate, postgraduate and work-related programmes. The clusters are not just a focal point for teaching but also for:

- investment of resources
- planning of University marketing and promotion of activities
- a focus for articulation with the recently-established research institutes and their associated research
- enterprise/knowledge transfer activity.

Our work with the Strategic Health Authority (SHA) for the provision of training for nursing (pre and post registration), midwifery and allied health professions continues to receive excellent contract performance reviews. In 2007-08 there was a slight reduction (5%) to commissioned starts but the impact of the roll-out of benchmark prices saw the contract with the SHA increase to £15.2m from £13.3m. During the year agreement has been reached to widen the educational subject base to include training for dental advisers and dental technologists with effect from September 2010 and discussions are well advanced with the relevant primary care trusts to agree commissions for dental patients.

Business Engagement Activities

The University is in the process of finalising its revised Business Engagement Strategy with the aim of becoming the UK's leading University for engagement with business, industry and the public sector by becoming a 'first choice' provider of comprehensive, knowledge-based services covering professional development, higher skills, enterprise and applied research.

Workforce Development Activities

The University has identified the importance of working with employers to provide a flexible and responsive academic portfolio to meet the diverse and changing skills needs of regional employers, whilst also contributing directly to the image and the social, economic and cultural standing of the region. As a consequence the University prepared a proposal around 'Building the Future' which was awarded a grant of £5.15m from HEFCE's Strategic Development Fund (SDF) to support this strategy and carried with it annual funded growth of 855 full-time equivalent co-funded additional student numbers, for delivery by 2010-11. As an example the School of Health & Social Care has recently secured a contract for training up to 3,000 staff with Durham County Primary Care Trust.

A University Workforce Development Strategy has been developed and implemented with an extensive study of regional employer skills needs having been undertaken to inform provision and marketing.

The RDA has also provided funding to support the development of a workforce development network with college partners in the Tees Valley. This network, which also brings together Higher Skills Pathfinder and NEHSN representatives, has made significant progress in developing working protocols, identifying training needs and delivering employer-based programmes. A network brand, under the banner OneDoor, has also been developed along with marketing material and a major launch is planned for January 2009.

While the Strategy, and the SDF project, are on track and have met all scheduled milestones, the challenges for the year ahead include pricing, workload planning for workforce development, roll-out of a CRM system and development of the team. The major external challenge, particularly in the context of the current economic downturn, will be the extent to which employers will be prepared to co-finance programmes.

Enterprise and Knowledge Transfer

The University has a Business Engagement Strategy which covers a range of activities including entrepreneurship, knowledge transfer, consultancy and commercialisation. The Strategy recognises the need for the University to develop alternative income streams with robust business cases to support growth in these areas and the need to incorporate the values and governance of the private sector in many aspects of enterprise activity.

During 2007-08 the Phoenix Building was opened as part of the University's DigitalCity initiative, delivered jointly with Middlesbrough Council, to create a cluster of digital companies in the Tees Valley. The Building provides accommodation for digital businesses, research and development teams, DigitalCity fellows and specialist digital facilities. It hosted a visit by senior EC officials in June, to demonstrate the impact of university-led innovation on the regional economy. A member of this delegation noted that DigitalCity clearly demonstrates that the Tees Valley is ahead of its competitors with its innovative strategy to deliver jobs and growth.

A number of the University's business units have received regional and national recognition, including dlab, a design research and innovation centre which delivers leading-edge work with and for business in VR technologies, the Centre for Construction Innovation and Research which works with international blue-chip construction companies around the globe, and CLEMANCE which is delivering environmental technology solutions to regional and national business.

Other successes in the year include the establishment of seven new Knowledge Transfer Partnerships, 11 new Collaborative Innovation Partnerships (over 50% of the regional total), 21 new business start-ups and 34 grant and tender awards for enterprise activity totalling £13.5m.

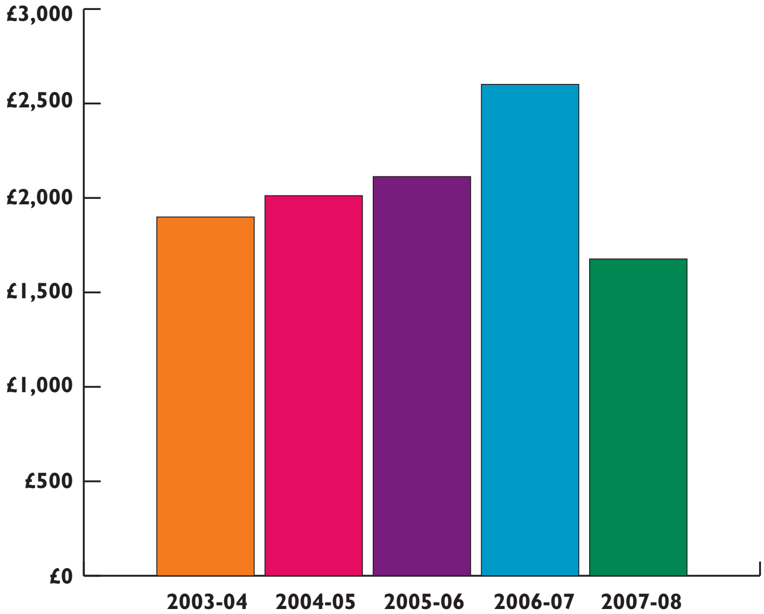
Forward strategies for HEFCE grants for the Digital Knowledge Exchange have been developed, with a strong emphasis upon sustainable activity. The University has also engaged with the RDA in securing Single Programme funding for regionally-relevant activity and in developing the European Structural Funds strategy for the region.

Looking ahead, key challenges will be the introduction of a career development scheme for enterprise, the implementation of a customer service standard and accompanying staff development, improving on current performance indicators, and the achievement of greater levels of financial sustainability for business units in the University.

Research

In 2007-08 income from research grants and contracts decreased by almost £1m to £1.67m. This not only reflects the timing of income and expenditure from some EU grants for which we are the lead partner but also the shift of focus away from winning new funding to the production of research outputs in preparation for the 2008 RAE. It is anticipated that the income for 2008-09 will increase to around £3m.

The value of research grants and contracts 2003-04 to 2007-08 (£000)



The University is striving to improve research performance and income and five new Research Institutes:

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

have been established to focus investment and lead the development and co-ordination of research activity, to develop peer review of research grant applications and to clarify standards in research outputs relevant to the range of disciplines.

The University is currently reviewing past performance against the requirements of the proposed Research Excellence Framework (REF) and planning the introduction of an institutional repository to ensure the accurate recording and tracking of citation against staff outputs.

The University submitted under six units of assessment to RAE 2008 – Allied Health Professions, Computing, General Engineering, Business and Management, Sociology and History.

Financial Highlights

Summary	2007-08 £000	2006-07 £000
Income	120,040	104,586
Expenditure	112,440	98,799
Surplus	7,600	5,787

The growth in income relates to:	2007-08	2006-07	Change
	£000	£000	%
Funding council grants	62,496	54,412	15
Tuition fees and education contracts	40,734	33,696	21

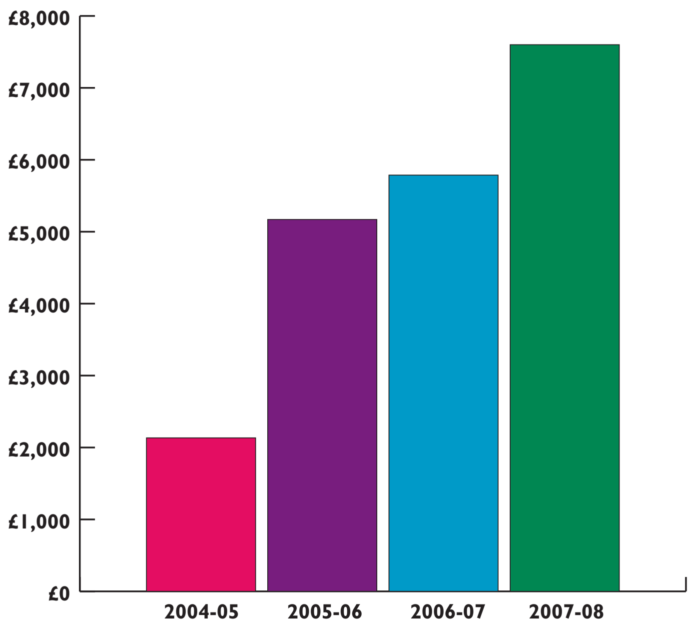
Items of note relating to income were as follows:

- mainstream teaching grant from HEFCE increased by £5.3m to £54.1m
- fees from full-time home and EU students increased by £3.2m reflecting the second year of variable tuition fees
- income from the NHS teaching contracts increased by £1.9m
- the University paid out £4.982m (2007 – £3.384m) to students by way of scholarships and bursaries.

The Resources Committee receives regular reports from the Director of Finance providing information on the expected out-turn compared to the budget.

Over the last four years the University has reported a year-on-year increase in its surplus as shown in the graph below. The improvement reflects year-on-year increases in income related to student growth.

Annual operating surplus (£000)



The University's financial strategy is currently under review and the recommended financial key performance indicators will include:

- minimum annual operating surplus of £5m (from £1.5m) and
- minimum cash balances, including term deposits, of £20m (from £10m)

The revision will provide cash for the University to fund its building programme without resorting to borrowings. These criteria are reflected in both the budget and the financial forecasts for 2008-09. At 31 July 2008 total borrowings (excluding finance leases) were £9.3m and cash at bank and in hand, including money market investments, was £43.3m. The University is committed to maintaining the strength of its balance sheet by increasing its capital asset base without incurring new long-term liabilities.

In 2007-08 the University spent £7.6m on additions to fixed assets, the main expenditure relating to the completion of the Phoenix and Athena Buildings and the completion of strategic property acquisitions. The pension fund deficit on the local government scheme increased from £16.1m to £17.5m, however, the full actuarial review, which was completed in the year, concluded that there should be no change to the University's contribution rates.

The University manages its surplus cash through a treasury management policy which sets out investment limits and minimum ratings requirements for deposit-takers. In view of the current economic climate this policy is being reviewed, in consultation with external advisers, to ensure that the capital investments minimise exposure to risks.

Resources

People

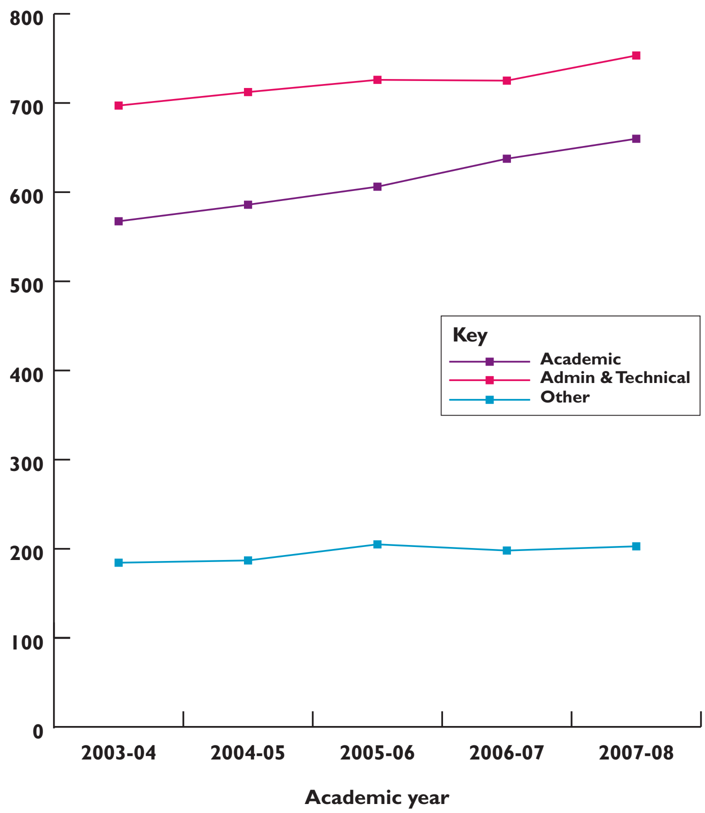
The University of Teesside recognises that staff represent a very valuable resource and asset to the University and demonstrates its commitment to all staff by maintaining recognition as an Investor in People. Teesside was first awarded IiP status in 1999 and is one of a small number of HEIs to have IiP recognition for the whole institution. Considerable value is placed on the involvement of employees and on good communication with them. A regular official newsletter is made available to all staff and there is a University-wide briefing scheme. Staff are encouraged to participate in formal and informal consultations at University, school and departmental level, sometimes through the membership of formal committees. The University has a staff development unit which is responsible for developing and providing a range of training for all staff groups.

During 2007-08 a number of key priorities have been addressed:

- further development of our leaders and managers through our enhanced Initial and Leadership Development Framework. This included two Academic Leadership Programmes, a Leadership Programme for support managers and an innovative pilot programme in collaboration with the Leadership Foundation aimed at our professors. These activities were recognised by the sector when we were shortlisted in the 2007 THES Awards in the 'Outstanding Contribution to Leadership Development' category
- development of two extensive staff development programmes to support two of our priority objectives – work force development and recruitment and marketing
- further collaboration with the trade unions via the Union Learning Agreement and the Aspire project to identify and meet the personal and aspirational learning needs of staff.

The University's growth and development of its activities has been matched by an increase in academic, research and support staff and, over the last year, the University has continued to embed a revised pay and rewards structure (incorporating a job evaluation framework) aimed at facilitating the recruitment and retention of high-quality staff.

Staffing FTE per annum (breakdown)



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

The University's policy of equal opportunities for all includes ensuring that all applicants, including those with disabilities, receive full and fair consideration for job vacancies for which they are suitable and that staff and students who are disabled or become disabled are provided with reasonable adjustments and other practical, technical and personal support needed.

Physical Resources

In the last five years the University has spent over £30m on new buildings and building improvements. This includes two new state-of-the-art buildings, the Athena and the Phoenix which opened at the beginning of this new academic year. The Athena Building provides teaching facilities in support of the University's work in digital technology, media production and creative arts. The Phoenix Building was developed with the Regional Development Agency to provide exciting opportunities for research and enterprise activities in digital innovation.

Substantial amounts have also been invested in IT equipment and resources with funds being provided both by the University and HEFCE through the learning and teaching capital allocations.

Principal Risks and Uncertainties

Significant risks to the University over the following 12-18 months are regularly assessed, using a risk register with mitigating actions being identified to reduce the impact and likelihood of risks. In addition, the University holds sufficient contingency funds to enable it to respond promptly to unforeseen events, should they arise.

The University continues to embed risk management practices within its culture, allowing 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 key institutional risks and the processes for managing those risks:

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

This risk relates primarily to a potential reduction in the recruitment of students on HEFCE-fundable programmes due to the University's reliance on North East England (which is demonstrating a forecast demographic downturn) as its main source of students.

The risk has been addressed through a new corporate recruitment strategy, initially under the direction of a Director of UK Student Recruitment, and the new Department of Marketing and Student Recruitment will be charged with taking forward developments in this area. This will include a rebranding of the University, based on recommendations by consultants.

Failure to follow good practice in the development of collaborative provision, both in the UK and overseas, with particular regard to academic planning and quality assurance.

This is a key risk due to the University's extensive partnership arrangements with FE colleges, employers and overseas partners for the delivery of teaching programmes.

In addition to the University's normal quality assurance and enhancement processes in managing this risk, there are additional safeguards, including Memoranda of Agreement with partners, operations manuals and standardised business planning processes.

Staff costs increasing faster than income, due to cost pressures, including pay awards and pensions.

The University's corporate planning processes seek to mitigate this risk, regulating approved staff establishments and appointments, identifying alternative income streams to ensure full utilisation of staff, and using full economic costing analysis. The University has implemented the national framework agreement for staff salaries, including a full job evaluation exercise based on the Higher Education Role Analysis (HERA) methodology.

Poor quality research output or RAE grades.

The University made its RAE 2008 submission during the year and has developed a comprehensive research strategy, which features investment planning and the use of project management processes and research performance indicators.

The five recently-established Research Institutes will co-ordinate research activity in the institution's key areas of research strength and an on-line monitoring system for tracking the progress of research students was introduced during 2007-08.

Change in government or HEFCE policy, resulting in reduction in income from public sources.

The University derives more than half of its income from funding council grants, and so is potentially vulnerable to policy changes.

The financial strategy addresses this by seeking to diversify funding sources and to deliver consistently-healthy annual operating surpluses and cash balances to mitigate against any future funding changes resulting in significant reductions in HEFCE grant.

University officers also maintain close relationships with HEFCE, monitoring policy statements and responding to them directly, or through sector representative bodies, whenever appropriate.

In response to the government's decision, announced in September 2007, to withdraw funding for students studying for a qualification which is equivalent to, or lower than, a qualification already held (ELQs), a project team has been established to co-ordinate the University's response, including:

- making appropriate adjustments to the University's academic portfolio
- developing new bids for additional student numbers to offset the funding reduction, which will amount to at least £1.7m annually by 2013-14
- identifying alternative funding sources (or full-cost alternatives) for ELQ students.

Poor graduate employment record.

Graduate employability is an important issue for the University as a driver for future recruitment. Key measures, such as the percentage of graduates entering 'graduate jobs', tend to reflect the economic performance of the North East relative to other parts of the country, especially as some two thirds of full-time undergraduates come from the region, and around one third are mature students.

Cutbacks in National Health Service recruitment in 2006 had a marked impact on the overall picture, contributing to the percentage of 2005-06 graduates entering 'graduate level' employment falling by more than 3% compared with the previous year.

The Board responded to this by making graduate employability one of its Key Performance Indicators, ensuring that it is monitored on a regular basis, and enhancing the employability of graduates has also been incorporated as a major theme of both the University's curriculum strategy and learning, teaching and assessment strategy.

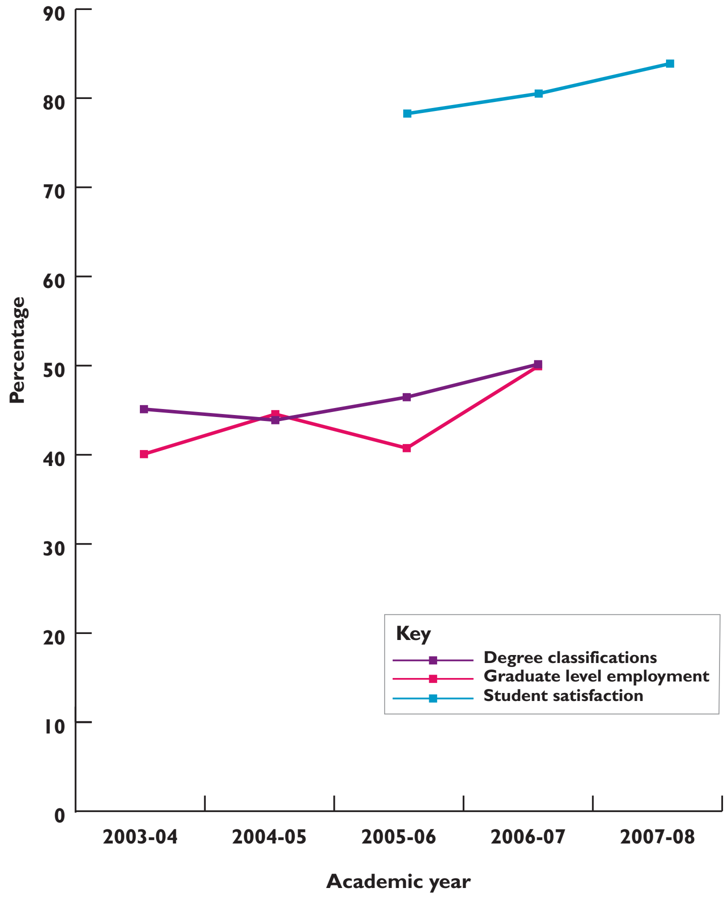
Key Performance Indicators

In 2005, the Board's concern to improve the University's standing and reputation as reflected by its position in the leading university league tables resulted in the establishment of a suite of Key Performance Indicators (KPIs) to help to monitor the University's progress. The baseline established at that time used data for 2003-04.

The KPIs identified by the Board are measures relating to:

- student entry qualifications
- student progression
- degree classifications
- graduate destinations
- National Student Survey scores
- student recruitment
- income from research and enterprise activities
- academic staff qualifications and
- the balance of the workforce between academic and non-academic staff.

In general, the University has made good progress, with notable improvements in the following key performance indicators:



- the graduate level employment setback in 2005-06 reflects the downturn in NHS recruitment due to financial pressures at that time
- the student satisfaction score relates to first degree students.

Improved performance across those KPIs typically associated with published league tables have contributed to the improvement in the University's ranking in almost all of the leading tables. Changes in the structure of some league tables, such as the substitution of National Student Survey scores for indicators based on the outcomes of Teaching Quality Assessments by the Quality Assurance Agency, have also proved beneficial.

:	2008 Ranking	Change 2004-08	Change 2007-08
Sunday Times	70=	+ 26	+ 7
Guardian	81	+ 29	- 10
Times	88	+ 8	+ 7
Independent	102	n/a	- 3

The negative changes in the most recent *Guardian* and *Independent* tables were mainly due to the use of 2005-06 data for graduate destinations, referred to above, whereas the other two tables used 2006-07 data.

Other performance indicators are used by the Board's Resources Committee (key financial indicators, student profile and market share, and student continuation and completion) and by the Employment Policy Committee (trends in staffing levels and composition, absences, turnover, recruitment processes and staff qualifications) to assist them in their roles.

Environmental Issues

During the last 12 months the University has conducted a thorough review of its environmental impact, seeking advice from the Carbon Trust, with a view to improving environmental performance.

As a result of this review a number of actions have already been taken including:

- review of the energy policy
- complete review of energy procurement to mitigate risk in the volatile energy market resulting in the agreement of a risk-managed contract for approximately 80% of the electricity supply to the campus
- development of a travel policy which includes the introduction of a cycle-to-work scheme and reduced car parking charges for car-sharing.

A number of additional initiatives are now under development including:

- review of building utilisation outside of normal campus hours
- introduction of an energy conservation budget, from which recognised savings will be released during the following period for further measures
- implementation of an energy conservation awareness programme to raise awareness and promote best practice with the aim of reducing the carbon footprint of the campus with continued support from the Carbon Trust
- introduction of enhanced monitoring and targeting software and local energy meters to improve the reporting mechanism for monitoring energy consumption on an individual building basis.

The University aims to reduce the environmental impact created by the construction of its new buildings by requesting a BREEAM rating of Excellent with a minimum rating of Very Good.

Energy usage is monitored on a building-by-building basis and the outcomes of the energy management statistics (EMS) data are benchmarked against other HEIs. The notional energy emissions (kg CO_2) per student (full-time equivalent) across non-residential space recorded in the EMS are in the lower quartile of the HE sector as a result of prudent programming of the energy management system.

2004-05	2005-06	2006-07
585.71	571.60	491.53

The total water consumption m^3 against the total gross internal floor area, recorded in the EMS are also in the lower quartile of the HE sector

2004-05	2005-06	2006-07
0.81	0.42	0.45

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

- Changing demands of key industry sectors
- Success of bids made to HEFCE to fund additional student numbers
- Delivery and embedding of workforce development strategy
- Review of academic portfolio
- Future demographic trends in the Tees Valley region – declining student rolls at local schools reducing the pool of local undergraduates
- Further development of and investment in international markets
- Investment in HE centres linked to partner FE colleges.

External Factors

- Parliamentary elections in 2010
- Reduction in government funding of HE
- Sub-national review
- Business simplification process including the possible creation of a new Skills Agency
- Innovation Nation
- Building Schools for the Future
- 14-19 Diploma and apprenticeships
- Magnitude of pay awards
- Effects of economic downturn on the University's ability to find secure 'havens' for its deposits
- Withdrawal of funding for ELQs will start to impact
- Government review of the variable fee regime
- Opportunities to increase fundraising through the matched scheme
- Outcome of Institutional Audit.

Corporate Activity to Maintain Financial Stability

- Completion of the Institutional Plan to focus on three key areas: academic, business engagement and research
- Submit bids for European and other funds which will be compatible with the University's priorities
- Supporting local authorities with the 'Building Schools for the Future' programme
- Progressing the development of a new University building in Darlington
- Construction of new buildings including a dental, health and sports building, additional teaching space and administrative facilities.

Conclusions

The University is financially secure but recognises the importance of vigilance in the current economic climate. The planned surpluses will not only contribute towards the University being well placed to withstand any fluctuations arising from demographic change, the 'credit crunch' and national pay outcomes but they will also provide a platform for a stable operating environment. This will enable the University to invest in new staff, as necessary, in the learning resources needed to provide an excellent student experience and complete the proposed campus developments.

Chair of Governors

14 November 2008

Vice-Chancellor

14 November 2008

CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

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

Summary of the University's Structure of Corporate Governance

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

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

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

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

The Nomination Committee considers nominations for vacancies on the Board.

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

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

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 administration and management of the affairs of the University, including ensuring an effective system of financial control, and is required to present audited financial statements for each financial year.

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

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

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

The Board of Governors has taken reasonable steps to:

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

The key elements of the University's system of internal 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 and administrative departments
- a comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of key performance indicators and business risks and monthly reviews of financial results involving variance reporting and updates of forecast out-turns
- clearly-defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors

- comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee and the Board of Governors, and
- a professional internal audit team whose annual programme is approved by the Audit Committee.

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

Statement of Internal Control

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

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

The system of internal control is based on a continuous process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2008 and up to the date of approval of the financial statements and accords with HEFCE guidance.

The Board of Governors, through the Audit Committee, has overall responsibility for reviewing the University's risk management strategy and ensuring that there is a sound approach to ensuring 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 risk assessment, identification and management
- a Risk Management Committee led by the Vice-Chancellor and reporting to the Corporate Management Committee 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 for improvement
- 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF UNIVERSITY OF TEESSIDE

We have audited the group financial statements (the 'financial statements') of the University of Teesside for the year ended 31 July 2008 which comprise the principal accounting policies, the consolidated University income and expenditure account, the consolidated and University balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, and the related notes on pages 31 to 51. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the governing body, in accordance with the charter and statutes of the University. Our audit work has been undertaken so that we might state to the governing body 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 for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University's Board of Governors and auditors

The governing body's responsibilities for preparing the group financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 17.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the Financial Memorandum with the Higher Education Funding Council for England.

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

We read the report of the governors and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures.

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2008 and of the group's surplus of income over expenditure for the year then ended
- the financial statements have been properly prepared in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education
- in all material respects, income from the Funding Council, the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2008 have been applied for the purposes for which they were received
- in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Funding Council and the funding agreement with the Training and Development Agency for Schools.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Leeds
14 November 2008

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 and in accordance with applicable accounting standards. Prior year figures have been restated to reflect the impact of a change in the accounting treatment of certain charitable donations as a result of requirements set out in the SORP.

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. 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. The expenditure which is included in the income and expenditure account of the University relates to the University's contribution to Union activities.

Income recognition

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

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

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the University are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

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

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

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

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

Agency arrangements

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

Leases and hire purchase contracts

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

Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of value added tax.

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.

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 3 years and 10 years.

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

Investments

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

Stock

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

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash. Liquid resources comprise term deposits. They exclude any such assets held as endowment asset investments.

Intra-group transactions

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

Accounting for charitable donations

Unrestricted donations

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

Endowment funds

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

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

Accounting for retirement benefits

The University contributes to the Universities Superannuation Scheme (USS), the Local Government Superannuation Scheme (LGPS) and the Teachers' Pension Scheme (TPS). All schemes are defined benefit schemes but the USS and TPS schemes are both multi-employer schemes and it is not possible to identify the assets of the scheme which are attributable to the University. In accordance with FRS 17 these schemes are accounted for on a defined contribution basis and contributions to these schemes are included as expenditure in the period in which they are payable. 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'.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

	Note	Year ended 31 July 2008 £000	Year ended 31 July 2007 as restated £000
INCOME			
Funding body grants	1	**62,496**	54,412
Tuition fees and education contracts	2	**40,734**	33,696
Research grants and contracts	3	**1,677**	2,601
Other income	4	**13,097**	12,251
Endowment and investment income	5	**2,036**	1,626
Total Income		**120,040**	104,586
EXPENDITURE			
Staff costs	6	**65,661**	60,479
Other operating expenses		**40,694**	32,919
Depreciation		**4,973**	4,200
Interest and other finance costs	7	**1,112**	1,201
Total Expenditure	8	**112,440**	98,799
Surplus on continuing operations after depreciation of assets at valuation before and after tax		**7,600**	5,787
Surplus for the year transferred to accumulated income in endowment funds		**–**	3
Surplus for the year retained within general reserves	22	**7,600**	5,790

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

STATEMENT OF GROUP HISTORICAL COST SURPLUSES AND DEFICITS

	Note	**Year ended 31 July 2008** £000	Year ended 31 July 2007 as restated £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		**7,600**	5,787
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	22	**705**	706
Historical cost surplus for the year before and after tax		**8,305**	6,493

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

	Note	**Year ended 31 July 2008 £000**	Year ended 31 July 2007 as restated £000
Surplus on continuing operations after depreciation of assets at valuation, before and after tax		**7,600**	5,787
(Depreciation)/appreciation of endowment assets	13	**(21)**	2
Actuarial (loss)/gain in respect of pension scheme	29	**(134)**	7,918
Total recognised gains relating to the year		**7,445**	13,707

Reconciliation

Opening reserves and endowments	**57,219**	43,512
Total recognised gains for the year	**7,445**	13,707
Closing reserves and endowments	**64,664**	57,219

BALANCE SHEETS AS AT 31 JULY

	Note	Consolidated		University	
		2008	2007 as restated	**2008**	2007 as restated
		£000	£000	**£000**	£000
Fixed Assets					
Tangible assets	11	**93,232**	90,639	**93,476**	90,883
Investments	12	**30**	30	**880**	880
		93,262	90,669	**94,356**	91,763
Endowment Assets	13	**191**	212	**191**	212
Current Assets					
Stock		**44**	41	**44**	41
Debtors	14	**8,352**	8,966	**9,427**	11,533
Investments	15	**37,000**	24,337	**37,000**	24,337
Cash at bank and in hand		**6,301**	6,929	**5,796**	5,215
		51,697	40,273	**52,267**	41,126
Less: Creditors – amounts falling due within one year	16	**(26,990)**	(21,385)	**(29,052)**	(23,586)
Net current assets		**24,707**	18,888	**23,215**	17,540
Total assets less current liabilities		**118,160**	109,769	**117,762**	109,515
Less: Creditors – amounts falling due after more than one year	17	**(12,667)**	(13,308)	**(12,800)**	(13,710)
Less: Provisions for liabilities	19	**(5,386)**	(5,145)	**(5,386)**	(5,145)
Total net assets excluding pension liability		**100,107**	91,316	**99,576**	90,660
Net pension liability	29	**(17,595)**	(16,103)	**(17,595)**	(16,103)
Total net assets including pension liability		**82,512**	75,213	**81,981**	74,557

Balance Sheets as at 31 July continued

	Note	Consolidated		University	
		2008	2007	**2008**	2007
			as restated		as restated
		£000	£000	**£000**	£000
Deferred capital grants	20	**17,848**	17,994	**17,848**	17,994
Endowments	21				
Permanent		**149**	165	**149**	165
Expendable		**42**	47	**42**	47
		191	212	**191**	212
Reserves					
Income and Expenditure account excluding pension reserve		**60,375**	50,712	**59,844**	50,056
Pension reserve	29	**(17,595)**	(16,103)	**(17,595)**	(16,103)
Income and Expenditure account including pension reserve	22	**42,780**	34,609	**42,249**	33,953
Revaluation reserve	23	**21,693**	22,398	**21,693**	22,398
Total Reserves		**64,473**	57,007	**63,942**	56,351
TOTAL FUNDS		**82,512**	75,213	**81,981**	74,557

The financial statements on pages 21 to 51 were approved by the Board of Governors on 14 November 2008 and were signed on its behalf by:

Chair of Governors

Vice-Chancellor

CONSOLIDATED CASH FLOW STATEMENT

	Note	2008	2007 as restated
		£000	£000
Net cash inflow from operating activities	24	**18,481**	14,397
Returns on investments and servicing of finance	25	**730**	535
Capital expenditure and financial investment	25	**(6,527)**	(13,693)
Management of liquid resources	25	**(12,663)**	521
Financing	25	**(641)**	(642)
(Decrease)/increase in cash in the year		**(620)**	1,118

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	2008	2007
(Decrease)/increase in cash in the year		**(620)**	1,118
Change in short-term deposits		**12,663**	(521)
Change in debt		**641**	642
Change in net funds		**12,684**	1,239
Net funds at 1 August 2007		**17,381**	16,142
Net funds at 31 July 2008	26	**30,065**	17,381

NOTES TO THE FINANCIAL STATEMENTS, YEAR ENDED 31 JULY 2008

(1) FUNDING BODY GRANTS

	2008	2007
	£000	£000
Recurrent grants		
Higher Education Funding Council	**54,129**	48,831
Training and Development Agency	**68**	65
Specific grants		
Higher Education Innovation Fund	**1,397**	1,058
Capital grants	**1,717**	1,138
Strategic Development Fund	**2,288**	786
Teaching Quality Enhancement Fund	**727**	502
Access and Widening Participation	**554**	550
Joint Information Systems Committee Fund	**17**	25
Pathfinder	**193**	11
CETL	**146**	112
National Teaching Fellowships	**24**	36
Other	**41**	215
Deferred capital grants released in year		
Buildings (note 20)	**200**	201
Equipment (note 20)	**995**	882
	62,496	54,412

(2) TUITION FEES AND EDUCATION CONTRACTS

	2008	2007
	£000	£000
Full-time home and EU students	**15,572**	12,325
Full-time international students	**4,010**	3,120
Part-time students	**4,034**	3,063
Education contracts	**17,118**	15,188
	40,734	33,696

(3) RESEARCH GRANTS AND CONTRACTS

	2008 £000	2007 £000
Research Councils	**29**	107
UK-based charities	**174**	49
UK Central Government	**520**	727
UK Health Service	**300**	335
European Commission	**600**	1,364
Other grants and contracts	**54**	19
	1,677	2,601

(4) OTHER INCOME

	2008 £000	2007 as restated £000
Residences, catering and conferences	**2,960**	2,807
Other income-generating activities	**1,000**	1,441
Other grant income	**5,411**	4,380
Release from deferred capital grants (note 20)	**446**	313
Other income	**3,280**	3,310
	13,097	12,251

(5) ENDOWMENT AND INVESTMENT INCOME

	2008 £000	2007 as restated £000
Income from permanent endowments (note 21)	**11**	10
Income from short-term investments	**2,025**	1,616
	2,036	1,626

(6) STAFF

	2008	2007
	£000	£000
Staff costs:		
Wages and salaries	**52,768**	48,573
Social security costs	**4,145**	3,881
Other pension costs (note 29)	**7,856**	7,202
Increase in the provision for enhanced pensions (note 19)	**577**	291
Restructuring costs	**315**	532
	65,661	60,479

Emoluments of the Vice-Chancellor	**£**	£
Salary	**190,657**	184,301
Benefits in kind	**11,851**	11,345
	202,508	195,646
Pension costs (on the same basis as for other academic staff)	**26,883**	24,151
	229,391	219,797

Remuneration of other higher paid staff including benefits in kind and excluding employer's pension contributions	2008	2007
	Number	Number
£100,000 - £109,999	**3**	3
£110,000 - £119,999	**2**	1

Average staff numbers by major category (full-time equivalents):		
Academic	**660**	637
Administrative and technical	**753**	725
Other	**203**	198
	1,616	1,560

(7) INTEREST AND OTHER FINANCE COSTS

	2008	2007
	£000	£000
Bank loans not wholly repayable within five years	**559**	565
Finance leases	**459**	469
Pension finance cost	**94**	167
	1,112	1,201

(8) ANALYSIS OF TOTAL EXPENITURE BY ACTIVITY

	2008 £000	2007 £000
Academic departments	**59,312**	52,450
Academic services	**10,136**	8,148
Research grants and contracts	**1,527**	2,186
Residences, catering and conferences premises	**3,084**	3,147
Premises	**11,048**	9,987
Administration	**18,577**	14,838
Other	**8,756**	8,043
	112,440	98,799

Other operating expenses include:

	2008	2007
External auditors' remuneration in respect of audit services	**36**	36
External auditors' remuneration in respect of non audit services	**1**	3
Operating lease rentals		
Land and buildings	**591**	585
Equipment	**134**	119

(9) SURPLUS ATTRIBUTABLE TO PARENT UNDERTAKING

The surplus dealt with in the accounts of the parent undertaking was £7,725,000 (2007: £5,820,000 as restated).

(10) INTANGIBLE FIXED ASSETS – GOODWILL

	Consolidated and University £000
Cost	
At 31 July 2008 and 31 July 2007	270
Amortisation	
At 31 July 2008 and 31 July 2007	270
Net Book Value	
At 31 July 2008 and 31 July 2007	–

(11) TANGIBLE FIXED ASSETS

Consolidated	Freehold land and buildings £000	Assets in the course of construction £000	Vehicles £000	Equipment and furniture £000	Total £000
Cost/Valuation					
At 1 August 2007	90,047	17,933	122	18,675	126,777
Additions in year	4,891	287	–	2,388	7,566
Transfers in year	17,933	(17,933)	–	–	–
Written off in year	–	–	–	(2,450)	(2,450)
At 31 July 2008	112,871	287	122	18,613	131,893
Depreciation					
At 1 August 2007	19,748	–	62	16,328	36,138
Charge for year	2,848	–	21	2,104	4,973
Written off in year	–	–	–	(2,450)	(2,450)
At 31 July 2008	22,596	–	83	15,982	38,661
Net Book Value					
At 31 July 2008	**90,275**	**287**	**39**	**2,631**	**93,232**
At 31 July 2007	70,299	17,933	60	2,347	90,639

(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 2007	90,410	17,933	122	17,321	125,786
Additions in year	4,891	287	–	2,388	7,566
Transfers in year	17,933	(17,933)	–	–	–
Written off in year	–	–	–	(2,450)	(2,450)
At 31 July 2008	113,234	287	122	17,259	130,902
Depreciation					
At 1 August 2007	19,748	–	62	15,093	34,903
Charge for year	2,848	–	21	2,104	4,973
Written off in year	–	–	–	(2,450)	(2,450)
At 31 July 2008	22,596	–	83	14,747	37,426
Net Book Value					
At 31 July 2008	**90,638**	**287**	**39**	**2,512**	**93,476**
At 31 July 2007	70,662	17,933	60	2,228	90,883

Financial Reporting Standard 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 2008 the net book value of freehold land and buildings, for the group and the University, includes £1,468,000 (2007: £1,642,000) in respect of assets held under finance leases. The depreciation charge for the year on these assets was £174,000 (2007: £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	62,060	287	122	18,613	81,082
At 31 July 2008	**112,871**	**287**	**122**	**18,613**	**131,893**
University					
1997 Professional Valuation	48,167	–	–	–	48,167
1997 University Valuation	645	–	–	–	645
1998 University Valuation	1,999	–	–	–	1,999
Cost	62,423	287	122	17,259	80,091
At 31 July 2008	**113,234**	**287**	**122**	**17,259**	**130,902**

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	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Cost	**87,529**	64,705	**87,833**	65,009
Accumulated depreciation and impairment	**(18,942)**	(16,799)	**(18,942)**	(16,799)
Net book value	**68,587**	47,906	**68,891**	48,210

(12) INVESTMENTS

	Other Investments
	£000
Consolidated	
Cost	
At 31 July 2008 and 31 July 2007	**30**

	Other Investments	Subsidiary Undertakings	Total
	£000	£000	£000
University			
Cost			
At 31 July 2008 and 31 July 2007	**30**	**850**	**880**

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

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

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

(13) ENDOWMENT ASSETS

	Consolidated and University £000
At 31 July 2007 as previously reported	234
Prior year adjustment (note 30)	(22)
At 31 July 2007 as restated	212
Decrease in market value of investments	(21)
At 31 July 2008	**191**

	Valuation at 31 July 2008 £000	Valuation at 31 July 2007 £000
Fixed interest stocks	**12**	5
Equities	**106**	142
Bank balances	**73**	65
Total endowment asset investments	**191**	212
Fixed interest stocks and equities at cost	**147**	143

(14) DEBTORS

	Consolidated		University	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Debtors	**3,962**	3,272	**3,294**	3,070
Prepayments and accrued income	**4,360**	5,495	**4,320**	5,454
Amounts due from subsidiary undertakings	**–**	–	**1,813**	3,009
Other debtors	**30**	199	**–**	–
	8,352	8,966	**9,427**	11,533

Included within amounts due from subsidiary undertakings is £130,000 (2007: £428,000) which is due after more than one year.

(15) INVESTMENTS

	Consolidated and University	Consolidated and University
	2008	2007
	£000	£000
Deposits maturing in one year or less	**37,000**	24,337

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 2008 the weighted average interest rate of these fixed rate deposits was 5.73% and the remaining weighted average period for which the interest rate is fixed on these deposits was 82 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	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Mortgages and unsecured loans	**642**	642	**642**	642
Payments received on account	**9,961**	6,432	**6,300**	6,177
Creditors	**5,844**	3,579	**5,844**	3,516
Social security and other taxation payable	**1,757**	1,593	**1,757**	1,593
Accruals and deferred income	**8,786**	9,139	**8,750**	9,118
Amounts due to subsidiary undertakings	**–**	–	**5,759**	2,540
	26,990	21,385	**29,052**	23,586

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

	Consolidated		University	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Loans secured on residential and other property repayable by 2022	**8,667**	9,308	**8,667**	9,308
Obligations under finance leases (note 18)	**4,000**	4,000	**4,000**	4,000
Amounts due to subsidiary undertakings	**–**	–	**133**	402
	12,667	13,308	**12,800**	13,710

(18) BORROWINGS

a Bank loans and overdrafts

	Consolidated and University 2008 £000	Consolidated and University 2007 £000
Bank loans and overdrafts are repayable as follows:		
In one year or less	**642**	642
Between one and two years	**642**	642
Between two and five years	**1,926**	1,926
In five years or more	**6,098**	6,740
	9,308	9,950

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 2008 £000	Consolidated and University 2007 £000
The net finance lease obligations to which the University is committed are:		
In five years or more	**4,000**	4,000

The finance leases relate to academic and student accommodation.

(19) PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated and University £000
At 1 August 2007	5,145
Utilised in year	(336)
Transfer from Income and Expenditure Account	577
At 31 July 2008	5,386

The 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 2008	31 July 2007
Discount rate	**5.9%**	6.2%
Inflation	**3.9%**	3.7%

(20) DEFERRED CAPITAL GRANTS

Consolidated and University	HEFCE £000	Other Grants £000	Total £000
At 1 August 2007			
Buildings	6,094	10,511	16,605
Equipment	1,291	98	1,389
Total	7,385	10,609	17,994
Cash received and receivable			
Buildings	–	223	223
Equipment	976	296	1,272
Total	976	519	1,495
Released to Income and Expenditure Account			
Buildings (notes 1 and 4)	200	281	481
Equipment (notes 1 and 4)	995	165	1,160
Total	1,195	446	1,641
At 31 July 2008			
Buildings	5,894	10,453	16,347
Equipment	1,272	229	1,501
Total	**7,166**	**10,682**	**17,848**

(21) ENDOWMENTS

Consolidated and University	Restricted Permanent £000	Restricted Expendable £000	2008 Total £000	2007 Total £000
At 1 August 2007				
Capital	67	44	111	111
Accumulated income	98	3	101	103
	165	47	212	214
Investment income	8	3	11	10
Expenditure	(3)	(8)	(11)	(14)
	5	(5)	–	(4)
(Decrease)/increase in market value of investments	(21)	–	(21)	2
At 31 July 2008	**149**	**42**	**191**	212
Represented by				
Capital	46	39	85	111
Accumulated income	103	3	106	101
	149	**42**	**191**	212

In previous years endowments were analysed as specific endowments. The revised headings above reflect the requirements of the SORP and the University's accounting policies. The opening figures for both years have been restated, see note 30 for full details, to remove from endowments those donations (£22,000) which are more properly disclosed as income in the year.

(22) INCOME AND EXPENDITURE ACCOUNT

	Consolidated	University
	£000	£000
At 1 August 2007 as previously stated	34,587	33,931
Prior year adjustment (note 30)	22	22
At 1 August 2007 as restated	34,609	33,953
Surplus retained for the year	7,600	7,725
Transfer from revaluation reserve	705	705
Actuarial loss in respect of pension scheme	(134)	(134)
At 31 July 2008	**42,780**	**42,249**

(23) REVALUATION RESERVE

	Consolidated and University
	£000
At 1 August 2007	22,398
Transfer to Income and Expenditure Account	(705)
At 31 July 2008	**21,693**

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

	2008 £000	2007 as restated £000
Surplus after depreciation of assets at valuation and before tax	**7,600**	5,787
Depreciation and impairment	**4,973**	4,200
Deferred capital grants released to income	**(1,641)**	(1,396)
Investment income	**(2,036)**	(1,626)
Interest payable	**1,018**	1,034
Pensions cost less contributions payable	**1,358**	1,268
Profit on sale of fixed assets	**–**	(10)
(Increase)/decrease in stocks	**(3)**	1
(Increase)/decrease in debtors	**(222)**	3,950
Increase in creditors	**7,193**	1,224
Increase/(decrease) in provisions	**241**	(35)
Net cash inflow from operating activities	**18,481**	14,397

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

	2008 £000	2007 as restated £000
Returns on investments and servicing of finance		
Income from endowments	**11**	10
Interest received	**1,866**	1,632
Interest element of finance lease rental payments	**(574)**	(553)
Other interest paid	**(573)**	(554)
Net cash inflow for returns on investments and servicing of finance	**730**	535
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(9,025)**	(18,567)
Endowment funds invested	**(33)**	(107)
Sale of tangible fixed assets	**–**	15
Sale of endowment asset investments	**41**	90
Deferred capital grants received	**2,490**	4,876
Net cash outflow for capital expenditure and financial investment	**(6,527)**	(13,693)
Management of liquid resources		
Net movement in short-term deposits	**(12,663)**	521
Financing		
Repayment of bank loan	**(641)**	(642)

(26) ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2007 £000	Cash Flows £000	Other non-cash Changes £000	**At 31 July 2008 £000**
Cash at bank and in hand				
Endowment assets	65	8	–	**73**
Other	6,929	(628)	–	**6,301**
	6,994	(620)	–	**6,374**
Short-term deposits	24,337	12,663	–	**37,000**
Debt due within 1 year	(642)	641	(641)	**(642)**
Debt due after 1 year	(9,308)	–	641	**(8,667)**
Finance leases	(4,000)	–	–	**(4,000)**
	17,381	12,684	–	**30,065**

(27) LEASE OBLIGATIONS

	Consolidated and University **2008 £000**	Consolidated and University 2007 £000
At 31 July the annual commitments under operating leases were as follows:		
Buildings		
Expiring within one year	530	594
Equipment		
Expiring within one year	–	63
Expiring between two and five years	42	–
	572	657

(28) FUTURE CAPITAL COMMITMENTS

	Consolidated and University **2008 £000**	Consolidated and University 2007 £000
Commitments contracted at 31 July	**838**	5,278

(29) PENSION SCHEMES

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

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

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
TPS: contributions paid	4,174	3,306
TPF: charge to the Income & Expenditure account	3,651	3,871
Contributions paid to other pension schemes	31	25
Total Pension Cost (note 6)	**7,856**	7,202

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 five years by the Government Actuary. 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 17 '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. The contribution payable by the employer was reduced from 14.9% to 14.0% on 1 April 2008.

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 2008.

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

(29) PENSION SCHEMES continued

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

	2008	2007
	%	%
Price increases	3.9	3.5
Salary increases	5.9	5.5
Pension increases	3.9	3.5
Discount rate	6.4	5.8

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

	2008	2007
	Years	Years
Retiring today		
Males	19.51	18.38
Females	22.55	21.34
Retiring in 10 years		
Males	20.41	19.35
Females	22.43	22.30

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:

	2008		2007	
	Share of assets	**Expected return at 1 August 2007**	Share of assets of return expected	Expected return at 1 August 2006
	%	**%**	%	%
Equities	73.3	7.9	57.4	7.5
Gilts	9.4	4.8	26.5	4.4
Other bonds	1.2	5.8	1.1	5.1
Property	4.5	7.4	4.9	7.0
Cash	11.6	5.8	10.1	4.5

(29) PENSION SCHEMES continued

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

	2008	2007
	£000	£000
Analysis of the amount shown in the balance sheet		
University's estimated asset share	67,205	65,030
Present value of the University's estimated share of scheme liabilities	(84,800)	(81,133)
Deficit in the scheme – (Net pension liability)	**(17,595)**	(16,103)
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	3,814	3,871
Past service cost	359	–
Total operating charge	**4,173**	3,871
Analysis of amount that is charged to interest payable		
Expected return on pension scheme assets	4,618	3,967
Interest on pension scheme liabilities	(4,712)	(4,134)
Net charge	**(94)**	(167)
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	(7,568)	1,770
Experience gains and losses	4,011	–
Changes in assumptions underlying the present value of the scheme liabilities	3,423	6,148
Actuarial (loss)/gain recognised in STRGL	**(134)**	7,918
Movement in deficit during the year		
Deficit in the scheme at 1 August	(16,103)	(22,753)
Movement in year:		
Current service costs	(3,814)	(3,871)
Contributions	2,909	2,770
Past service costs	(359)	–
Other finance costs	(94)	(167)
Actuarial (loss)/gain	(134)	7,918
Deficit in scheme at 31 July	**(17,595)**	(16,103)

(29) PENSION SCHEMES continued

	2008	2007
	£000	£000
Analysis of the movement in the present value of the scheme liabilities		
At 1 August	81,133	79,014
Current service cost	3,758	3,871
Interest cost	4,712	4,134
Contributions by scheme participants	1,214	1,118
Actuarial gains and losses	(5,180)	(6,148)
Benefits paid less individual transfers in	(1,196)	(856)
Past service cost	359	–
At 31 July	84,800	81,133
Analysis of movement in the market value of the scheme assets		
At 1 August	65,030	56,260
Change in asset valuation	(56)	–
Expected rate of return on scheme assets	4,618	3,967
Actuarial gains and losses	(5,314)	1,770
Contribution by the employer	2,909	2,771
Contributions by scheme participants	1,214	1,118
Benefits paid less individual transfers in	(1,196)	(856)
At 31 July	67,205	65,030

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

	2008	2007	2006	2005	2004
	£000	£000	£000	£000	£000
Defined benefit obligation	(84,800)	(81,133)	(79,014)	(69,092)	(52,255)
Scheme assets	67,205	64,974	56,211	46,822	36,772
Deficit	(17,595)	(16,159)	(22,803)	(22,270)	(15,483)
Experience adjustments on scheme liabilities	1,757	–	–	467	n/a
Experience adjustments on scheme assets	(5,314)	1,770	3,909	4,961	n/a

The University has elected not to restate amounts for 2005 and 2004 as permitted by the amendment to FRS 17.

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £1,049,000 gain (2007: £1,183,000 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 employers' contribution to the scheme for the year ending 31 July 2009 is £3,103,000.

The actual return on scheme assets in the year was a negative return of £2,950,000 (2007: £5,737,000 – positive return).

(30) PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to the review undertaken by the University of its accounting for donations and endowments following the detailed guidance included in the new Statement of Recommended Practice: Accounting for Further and Higher Education. As a result of this review certain donations, which had previously been included as specific endowments, were considered to be more properly accounted for as donations with no restrictions on the expenditure and hence should have been included in the income and expenditure account in the year of receipt.

This has resulted in the following impact on the income and expenditure account:

	Consolidated 2007 £000	University 2007 £000
Income and Expenditure Account as previously stated (note 22)	34,587	33,931
Endowments to be reclassified as donations at 1 August 2006	25	25
Movement during year ended 31 July 2007	(3)	(3)
Income and Expenditure Account as restated at 31 July	34,609	33,953

(31) ACCESS FUNDS

	2008 £000	2007 £000
HEFCE grants	776	894
Interest earned	24	16
	800	910
Disbursed to students	(602)	(779)
Balance unspent at 31 July	198	131

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.

(32) RELATED PARTY TRANSACTIONS

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

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

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