



# 2018 REPORTS & FINANCIAL STATEMENTS

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## Principal's Introduction

In this Introduction, I would like to take the opportunity to emphasise some elements of our experience over the last year, touching on both some 'good news stories' and other areas where things have not gone as well as they should have, or where we see challenges in the future.

We continue to make good progress in research and in knowledge transfer to industry and commerce. I would mention in particular the recent award of funding for our InGame project, a multi-million pound project to support the development of the computer-games industry. This was awarded to Abertay University, with our partners the universities of Dundee and St. Andrews, as part of the UK Government's funding of the Industrial Strategy. More generally, we continue to make steady progress in research with my academic colleagues' work being increasingly cited by other researchers, and with research income on track to double within the current planning period (2015-2020).

This September was the second occasion on which we admitted students from disadvantaged backgrounds on 'access thresholds' – entrance qualifications that are significantly lower than the usual ones to reflect how difficult it is for students from disadvantaged backgrounds to demonstrate their ability in conventional ways. This year, about 5% of our students benefitted from this; they would not otherwise have been admitted to the University. This approach reflects our deep commitment to widening access to Higher Education – as our Strategic Plan puts it, 'to offer transformational opportunities to everyone who has the ability to benefit from Abertay's approach to university education.'

We had another good financial outcome this year, with an underlying operating surplus of about 3%, allowing us to continue to invest in our infrastructure. A visible sign of this investment was the completion of the renovation of the Bernard King Library to give a bright, airy and modern space for study and collaborative working.

Turning to less positive news, we had a disappointing outcome in the National Student Survey. The 'headline' figure for overall satisfaction was 79%. This is down from 84% last year and 88% in 2016. This is not an acceptable outcome, as it shows that a significant number of our students are not satisfied with their experience. We are taking steps to address this, principally by changing how our academic programmes are managed, and by reviewing the pace of change in the way we deliver our academic activities.

Finally, and without – I hope – taking away from the generally positive picture of the life of the University, I think it's important to reflect on the challenging environment experienced by the Higher Education sector. I will not rehearse the expected impact of Brexit on British universities, as this is now quite well understood. (Indeed I spent some time on this in my introduction to last year's report.) It is sufficient to note that the effect will – overall – not be positive, and that the longer it takes to work out the precise impact (for example on collaborative research or on student exchanges) the more difficult it will be to adapt to the new circumstances.

As I write, there are discussions about increased employers' contributions to the Teachers' Pension Scheme, which we use for most of our academic staff. These discussions have not yet reached a conclusion, but the general picture that, over time, defined-benefit pension schemes become more expensive for employers and – usually – employees is clear. (The University also uses two other defined-benefit schemes – the Local Government Pension Scheme and, for a small number of staff, the Universities Superannuation Scheme; discussions are also taking place on contributions to the latter scheme.) And all this is all superimposed on a background of continuing real-terms reductions in public funding for Higher Education in Scotland.

These are challenging times, as they have been over the last few years. We will continue to adapt by investing and innovating in our teaching, in our research, and in the way we do business as a University. And we will keep on doing great things.

*N. A. Seaton*

Nigel Seaton  
Principal and Vice-Chancellor



**OPERATING  
REVIEW**

## University Activities, Governance and Funding

The “Audit of Higher Education in Scottish Universities”, published in 2016 by the Auditor General for Scotland, assessed how HE is funded and delivered in Scotland, how it contributes to national strategic objectives and how well equipped the sector is to deal with future financial challenges.

You can find the report of the Auditor General here:  
<http://www.audit-scotland.gov.uk/report/audit-of-higher-education-in-scottish-universities>

There is a wide range of bodies and factors that influence Scottish universities. The policy-making, funding, and regulation of Scottish HE involves multiple public, private and third sector bodies from across the UK, the EU and the rest of the world.

The Scottish Government provided over £1.7 billion in funding for universities and individual students in 2015 (the figures quoted in the report of the Auditor General) – through funding provided via the Scottish Funding Council for universities, and via the Student Awards Agency Scotland for individual students.

Since 2008, the Scottish Government has paid the tuition fees of Scottish students and students of EU member states other than the UK who are undertaking full-time undergraduate courses for the first time, and makes a contribution to the fees for those taking a limited number of postgraduate courses:

It is not clear whether this arrangement for EU students will continue after the UK leaves the EU. This entitlement does not apply to students who come from other parts of the UK. Thus, since 2013, undergraduate students from England, Wales and Northern Ireland have paid tuition fees of up to a set maximum figure (currently £9,250 a year) to study in Scotland.

You can read highlights of the report to provide external context to our business model here:  
[www.abertay.ac.uk/about/the-university/governance-and-management/freedom-of-information/84-financial-resources/](http://www.abertay.ac.uk/about/the-university/governance-and-management/freedom-of-information/84-financial-resources/)

## Our Strategic Plan

This is a living document that we use to guide our decisions as well as to measure our progress. It starts with a statement of our Purpose – our own understanding of what we are about as a university. It also identifies a set of Principles, consistent with the Purpose, that guides our work.

You can find our Strategic Plan 2015-20 here:  
[www.abertay.ac.uk/about/the-university/governance-and-management/corporate-information/](http://www.abertay.ac.uk/about/the-university/governance-and-management/corporate-information/)

Our current Strategic Plan covers the period 2015-20. During 2018-19 we have begun the process of developing a new Strategic Plan, beginning by considering:

- The challenges and opportunities facing us over next 10-15 years and how we wish to respond.
- What is important to us.
- What has changed since the previous plan.
- What our priorities are for the next 5-10 years and beyond.

We aim to develop and agree our new Strategic Plan by the start of academic year 2019-20 to allow the transition to the new planning period to take place during that year.

## Our Operational Plan

This supports the implementation of the Strategic Plan, to reflect University priorities for 2017-20 and to set our agreed position against which progress can be monitored for each of the three years.

The Operational Plan was updated in June 2018, setting out the key activities for the remaining two years of the planning period and providing the framework within which we will operate. This will of course be subject to regular review particularly as the focus of our planning moves to the transition to 2020 and beyond.

The update to the Plan considered the uncertainty in the external environment. In particular it took into account the likely consequences of Brexit, possible further tightening of UK immigration policy, the changing regulatory and policy environment in England, the likelihood of further pressure on funding for the HE sector and the likelihood of continuing one-year financial settlements from the Scottish Government. In the short-term, the major external factor impacting on our planning is what are expected to be continuing real-terms reductions in Scottish Government funding for higher education.

Changes in the internal environment over the last year include a very successful undergraduate student recruitment cycle in 2017-18 (early indications suggest that this success will continue in 2018-19), the introduction of additional support to improve student retention, a quality review of all subject areas, through the Institution-Led Review, completion of the refurbishment of the Bernard King Library, continued success and external recognition for our provision in games, a decrease in our scores in the National Student Survey (NSS) and the outcomes of the 2017 staff survey which showed some positive signs but confirmed there are still some challenges for us.

## Our Financial Plan

This starts with our target and forecast levels of underlying surplus and then an analysis of our different sources of income and revenue expenditure (with trends). We explain the level of future capital expenditure that we wish to undertake and how it will be funded.

The Plan ends with a statement of our solvency and ability to continue as a going concern. There are no material uncertainties identified by Management that may cast significant doubt about the University’s ability to continue to adopt the going concern basis of accounting (defined as the period of 12 months from the approval of the financial statements).

Summaries of both the Operational and Financial Plans can be found here:  
[www.abertay.ac.uk/about/the-university/governance-and-management/freedom-of-information/84-financial-resources/](http://www.abertay.ac.uk/about/the-university/governance-and-management/freedom-of-information/84-financial-resources/)

## Risks and Opportunities

The University recognises that effective risk management is an important element of management and corporate governance and that it is essential in helping the University to achieve its strategic and operational objectives. Good risk management can make a positive contribution to success of and to the resilience of all aspects of the University.

In the link below we outline our approach to risk management, our risk appetite and how we report on risk:  
[www.abertay.ac.uk/about/the-university/governance-and-management/freedom-of-information/84-financial-resources/](http://www.abertay.ac.uk/about/the-university/governance-and-management/freedom-of-information/84-financial-resources/)

Below is a summary of our Strategic Risk Register.

Specific Risk	low 1	Residual Risk Score	high 25	Risk Owner
We do not deliver the commitments set out in our outcome agreement with SFC and as a result our funding is reduced.				Vice-Principal University Services
Scottish Government/SFC changes its funding mechanisms resulting in significant loss of income.				Vice-Principal University Services
Scottish Government removes funding associated with EU students and therefore our funding is reduced and we are required to recruit fewer students.				Vice-Principal University Services
Increased competition for SFC resources leads to predatory attack from competitors				Vice-Principal University Services
Disruption to University operations arising from major incident, omission, failure or external attack				Vice-Principal University Services
We do not comply with legislation/changes in legislation.				University Secretary
The University's academic reputation is damaged				Vice-Principal Academic
We do not have the business systems in place to enable us to operate effectively and therefore are unable to make timely and well-informed decisions.				Vice-Principal University Services
We are not able to recruit or retain high-performing staff and consequently are unable to deliver University's key objectives				Vice-Principal University Services
Our portfolio of academic programmes does not meet student expectations, leading to negative experiences, poor outcomes and discouraging future applicants.				Vice-Principal Academic
We are unable to recruit an appropriately qualified Chair of Court and comply with HE Governance legislation				University Secretary
Insufficient numbers of students progressing from partner institutions to Abertay degrees.				Vice-Principal University Services
We are unable to recruit international students and therefore cannot achieve our strategic plan ambitions.				Vice-Principal University Services
Change averse / risk averse culture prevents delivery of key strategic objectives				Vice-Principal University Services

## Progress in Delivering Our Strategic Plan

Here we summarise our performance, using the KPIs, each of which is linked to one of the principles of our Strategic Plan 2015-20. We regularly review our strategic planning assumptions and KPIs with the Executive Group, senior managers and Court.

There is a red-amber-green indicator and a current assessment of our performance towards the 2020 target.

Theme and what the Strategic Plan says we aim to achieve	KPI	Target 2020	RAG	Current assessment
<b>Choosing our own path</b> <ul style="list-style-type: none"> <li>Implement the outcomes of our full-scale review of our portfolio, developing a set of undergraduate and postgraduate programmes which are attractive, relevant and viable.</li> <li>Embed the Abertay attributes in our curriculum [from 2016].</li> <li>Embed the principles of efficiency and effectiveness across the University.</li> <li>Implement a financial strategy to ensure future sustainability.</li> <li>Develop and implement a high-level people and organisational development plan.</li> <li>Improve our existing estate in line with our estates strategy.</li> <li>Continue to invest in our IT infrastructure to provide modern and leading edge systems which support our new ways of working.</li> <li>Show improvement in our benchmarking against comparable modern universities and consequently, improvement in our league table position.</li> </ul>	(1) % students satisfied with the overall quality of their course (NSS)	89%	<span style="color: green;">■</span>	The latest NSS results (July 2018) are disappointing, with the percentage of students satisfied with the quality of their course dropping from 84% in 2017 to 78% in 2018. We are currently reviewing the NSS scores across all areas of the University to ensure that the issues are understood and that appropriate action is taken.
	(2) % of staff who would say the University is a good place to work	89%	<span style="color: red;">■</span>	The score from the autumn 2017 survey score improved by two percentage points from the previous survey but is still significantly below the benchmark and 2020 target.
	(3) annual operating surplus as % of total income	3%	<span style="color: orange;">■</span>	2018 on track. 2019 and 2020 will be lower than the target – explained later in this report.
	(21*) Students eligible for SFC funding compared to SFC funded places	SFC places + 5%	<span style="color: green;">■</span>	Currently on track to fill all SFC-funded places. Likely to exceed the current position (SFC places +5%) in both 2018-19 and 2019-20 but this is intentional in response to increased demand from students and to mitigate against future changes in the funding of EU students.
<b>Recognising and developing potential</b> <ul style="list-style-type: none"> <li>Provide effective and inclusive pre-study support for all students.</li> <li>Streamline and improve our systems for monitoring student progress.</li> <li>Increase the proportion of students who successfully complete an honours degree.</li> <li>Continue to ensure that at least 25% of our undergraduate entrants articulate from college to levels 2 or 3 of an Abertay degree.</li> <li>Continue to deliver against the outcomes in our Equality Action plan.</li> <li>Achieve Athena SWAN silver award for the University by 2018.</li> <li>Ensure all staff involved in teaching and supporting learning achieve appropriate national professional recognition.</li> </ul>	(4) League table position - Guardian	3rd quartile	<span style="color: green;">■</span>	Achieved and likely to continue to be achievable. Abertay was the top modern Scottish University in the Guardian University Guide published in May 2018.
	(20) % of Scottish-domiciled undergraduate entrants from disadvantaged backgrounds	16%	<span style="color: green;">■</span>	This new indicator monitors the proportion of our Scottish-domiciled undergraduate entrants who meet the criteria of our contextual admissions policy and were eligible to receive a contextual offer. With 15% of entrants in 2017-18 meeting these criteria, this is on track.
	(5) % of Scottish-domiciled undergraduate entrants from the 20% and 40% most deprived postcodes	35% ALL SIMD40	<span style="color: green;">■</span>	In 2017-18, 19% of entrants were from the 20% most deprived postcodes which is higher than in previous years. In total, 33% of entrants were from the 40% most deprived postcodes, slightly below overall target and likely to remain at a similar level in the future. However, this indicator is based solely on postcode and should be considered together with the proportion of students eligible for a contextual offer, which takes into account a wider range of measures of disadvantage.
	(6) % Scottish-domiciled entrants articulating with advanced standing	30%	<span style="color: green;">■</span>	Although the target was increased in 2017 to reflect our successful track record in this area, we exceeded this again in 2017-18 with 31% of entrants articulating with full credit, another 5% articulating with partial credit.
<b>Expanding horizons</b> <ul style="list-style-type: none"> <li>Offer every student the opportunity to undertake work experience as part of their degree programme.</li> <li>At least double the number of taught postgraduate students studying at Abertay.</li> <li>Double the number of international undergraduate students studying at Abertay.</li> <li>Increase the number of staff participating in Erasmus or similar exchanges.</li> <li>Implement a student enterprise support framework.</li> <li>Expand our active international partnerships.</li> </ul>	(7) % of undergraduate entrants still in higher education after one year (HESA PI)	HESA benchmark (currently 90.8%)	<span style="color: red;">■</span>	Remains below benchmark and, as anticipated last year, has dropped from the previous year. (The latest data published by HESA relates to the retention of entrants who started in 2015-16.) Action to support the retention of students is a priority in the Operational Plan and a range of new measures were introduced in 2017-18 but it is likely to be difficult to achieve the target in the timescale.
	(8) % of undergraduate students projected to receive a degree (HESA PI)	HESA benchmark (currently 83.3%)	<span style="color: red;">■</span>	Remains below benchmark and, as anticipated last year, has dropped from the previous year. Action to support the retention of students is a priority in the Operational Plan and a range of new measures were introduced in 2017-18, but it is likely to be difficult to achieve the target in the timescale.
	(9) % of graduates in employment or further study	HESA benchmark (currently 94%)	<span style="color: green;">■</span>	Following improvement in this measure for the fourth year in a row, the latest score (95.4%) is above benchmark and has improved our position to seventh in Scotland.
	(10) % of graduates in graduate-level employment	75%	<span style="color: orange;">■</span>	Significant improvement in this measure with an increase from 61% to 68% of graduates in professional employment. The 2020 target remains challenging but a range of actions to support employability were identified as priority in our Operational Plan and were put in place for 2017-18. It is hoped that this will have an impact on our future cohorts of graduates.
<b>Working in partnership</b> <ul style="list-style-type: none"> <li>Strengthen our relationship with college partners, ensuring curriculum alignment and greater co-ordination of activities.</li> <li>Operate a 'one stop shop' approach for our business partners.</li> <li>Improve the effectiveness of our internal communication.</li> <li>Increase alumni engagement, through a range of initiatives, including a mentoring programme.</li> <li>Play a key role in delivering the Dundee Cultural Strategy and contribute to UNESCO City of Design activities.</li> </ul>	(11) Number of students taking up work experience opportunities		revised	This indicator has been revised and now reports specifically on: - The number of students on formal work placements. - The number of HEAR-verifiable work-related activities. The indicator will be reported on an academic year basis and updated annually.
	(12) International students as % of student population *	7%	<span style="color: red;">■</span>	Small increase in recruitment of new international students in 2017-18 and further increases projected for 2018-19 and 2019-20, mainly at taught postgraduate level. International (non-EU) students expected to account for 3% of population in 2020. Unlikely to achieve original target of 7% due to the external environment, the impact of Brexit and possible further tightening of UK immigration policy, and also because of the overall growth in our student population.
	(13) Postgraduate taught students FTE *	300 FTE	<span style="color: red;">■</span>	Small increase in 2017-18 compared to previous year. Current projections show a continued increase each year but we expect these to fall short of the 300FTE target.
	(14) Retention/completion rate for entrants articulating to Abertay at stages 2 and 3	In line with overall retention rate	<span style="color: green;">■</span>	Improvement in the retention of articulating students between 2016-17 and 2017-18, with the retention rate for articulating entrants slightly higher than the overall retention rate.
<b>Making our knowledge accessible</b> <ul style="list-style-type: none"> <li>Offer an accelerated route on at least 10 of our programmes.</li> <li>Work with colleges to ensure that at least 25% of our undergraduate entrants join Abertay at years 2 or 3 of their degrees.</li> <li>Implement a business development strategy, including new and innovative consultancy services, to increase our income from knowledge exchange activity by 10% by 2020.</li> <li>Increase our income from research grant and contract income</li> </ul>	(15) Number of alumni involved in mentoring programme		revised	This indicator has been revised and widened to give an overall engagement score based on measurement of giving, event attendance, volunteer work (including alumni mentoring), and interactions with our communications. This will be monitored on an academic year basis and the baseline is still being established.
	(16) Staff survey: % of staff who think communication in the university is effective	61%	<span style="color: red;">■</span>	The score for this measure in the 2017 staff engagement survey increased by 9 percentage points and is higher than the original 2013 survey. However, a similar improvement in the next survey would still fall short of our 2020 target.
	(17) Total research grant and contract income	+ 10% £1,370k	<span style="color: green;">■</span>	14% increase between 2017 and 2018 and current projection indicates that we will exceed the 2020 target.
(18) Total income from knowledge exchange activity (as reported to SFC)	+ 10% £1M	<span style="color: green;">■</span>	2017 above target (latest data). Current projection indicates that we are on or above target.	
(19) Number of citations	4,500	<span style="color: red;">■</span>	Citations for calendar year 2017 have increased slightly compared to 2016 but are currently below the level of growth required to meet the 2020 target.	

\* new indicators added by Court June 2017

## Equality Mainstreaming

For us, Equality and Diversity means recognising and valuing colleagues and students with different backgrounds and outlooks. People with different backgrounds, experiences and attitudes bring fresh ideas and perceptions and a diverse organisation such as that at Abertay can draw upon the widest range of experiences in order to better serve our staff, students and community.

Our mainstreaming report sets out the key areas in which we have progressed over the past four years, under the headings of:

- General duty (Public Sector Equality Duty)
- Gender
- Disability
- Race equality
- Faith and belief
- LGBT+
- Age
- Pregnancy and maternity

We have undertaken in-depth equality analysis, including pay gap analysis, for several years as part of our commitment to advancing equality and diversity. We see this as an important part of understanding our staff profile and where the equality and diversity challenges lie.

We recognise gender imbalances and in particular the drop-off in the proportion of women in senior academic roles is a significant challenge for the University and for higher education in general. Our Strategic Plan includes a specific objective in relation to advancing gender equality and we are members of the Athena SWAN Charter, which promotes advancement of gender equality, representation, progression and success for all. We achieved a University Bronze Athena SWAN award in 2014 and our Schools are working towards departmental awards. We have implemented a number of initiatives to support women's career progression, for example supporting a number of female staff to participate as delegates and role models, in the Aurora leadership programme for women in higher education and running two Women in Engineering conferences.

Our commitment to equality and diversity was recognised further in 2016 when we were the first university in Scotland to be awarded the Race Equality Charter Mark. As part of the application process, we developed a race equality action plan, which is now being embedded into our overall Equality Action Plan.

We have a comprehensive Equality Action Plan covering the full range of protected characteristics including a range of initiatives and provisions to ensure equality and promote diversity and good relations for staff, students and the wider University community. For example, we offer internal promotion workshops for academic staff; all staff are required to undertake unconscious bias and diversity at work training and we are implementing an innovative 'Lead Voices' initiative to ensure that the views and needs of the different equality groups are heard and addressed.

You can find out more about Equality and Diversity at Abertay here:

<https://www.abertay.ac.uk/about/the-university/governance-and-management/equality-and-diversity/>

# FINANCE REVIEW





## Statement of Comprehensive Income and Expenditure (SOCI)

The SOCI is a statement of surplus / deficit and other comprehensive income for the financial year ended 31<sup>st</sup> July. Surplus or deficit is the total of income less expenses, excluding the components of other comprehensive income. Other comprehensive income comprises items of income and expense that are not recognised in the surplus or deficit (as required by the accounting rules). The biggest value item for Abertay is the actuarial gain / loss in respect of the defined benefit Tayside Superannuation Fund. Total comprehensive income comprises all components of surplus or deficit and of other comprehensive income.

The purpose of adding projections for future years, taken from our submission to SFC for a “strategic plan forecast for higher education institutions 2017-18 to 2020-21,” is to better illustrate the financial narrative of where we have come from, where we are today, where we expect to be going and why.

### Reported and underlying surplus

The focus of our internal management information is underlying surplus, which adjusts the reported “surplus before tax” for accounting concepts and other one-off items. In 2018 there are three such adjustments: accounting for endowments and donations, accounting for the fair value of our investments and pension accounting of our defined benefit scheme.

£m	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2020 Projection
<b>Reported Surplus / (Deficit)</b>	<b>1.7</b>	<b>1.4</b>	<b>0.4</b>	<b>(1.1)</b>	<b>(0.8)</b>
Pension Scheme Accounting	1.0	1.7	1.7	1.7	1.7
Investment Accounting	(0.4)	(0.7)	(0.5)	(0.3)	(0.3)
Endowment and Donation Accounting	-	(1.0)	(0.4)	(0.4)	0.1
<b>Underlying Surplus</b>	<b>2.2</b>	<b>1.4</b>	<b>1.1</b>	<b>-</b>	<b>0.8</b>
% Income	6%	4%	3%	-	2%

Previously only unrestricted donations were recognised as income. Under the new SORP all new endowments and donations are recognised as income (upon entitlement). In 2017 we received the first tranche (£1.1m) of a significant personal bequest. A second tranche of £0.5m was received in 2018 and a final tranche is expected in 2019.

The new SORP resulted in an increase in the accounting cost of pensions as interest is now charged on the net defined benefit obligation (the difference between the fair value of the scheme’s assets and the defined benefit obligation).

A smaller surplus is reported in 2018 owing to the accounting of less endowment and donation income compared to 2017, an increased accounting charge for our defined benefit scheme in 2017 and 2018 (compared to 2016) and a smaller underlying surplus. The underlying surplus is sufficient to generate the necessary cash to meet our current capital plan.

### Total comprehensive income

This is a new calculation introduced by the SORP (reported surplus after the actuarial gain/loss of a pension scheme and after other comprehensive income).

£m	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2020 Projection
Reported Surplus / (Deficit)	1.7	1.4	0.4	(1.1)	(0.8)
Actuarial Gain (Loss) of Pension Scheme	(6.3)	0.8	18.8	-	-
Other Comprehensive Income	-	-	(0.1)	-	-
<b>Total Comprehensive Income</b>	<b>(4.6)</b>	<b>2.1</b>	<b>19.0</b>	<b>(1.1)</b>	<b>(0.8)</b>

Actuarial gain or loss reflects the extent to which the movements of the assets and liabilities over the accounting year have not been exactly as assumed at the previous accounting date, and also the effect on the liabilities of changes to the assumptions used to value them. This calculation is highly volatile.

## Tayside Superannuation Fund pension remeasurements in Other Comprehensive Income

£000s	2016 Actual	2017 Actual	2018 Actual
Return on fund assets in excess of interest	3,428	7,638	5,975
Other actuarial gains / (losses) on assets	-	-	(1,538)
Change in financial assumptions	(9,755)	(6,811)	5,148
Change in demographic assumptions	-	-	4,789
Experience gain / (loss) on defined benefit obligation	(2)	(10)	4,410
Changes in effect of asset ceiling	-	-	-
<b>Remeasurement of the net assets / (defined liability)</b>	<b>(6,329)</b>	<b>817</b>	<b>18,784</b>

There has been an overall remeasurement of £18,784k in the 2018 accounts, owing to both assets and liabilities.

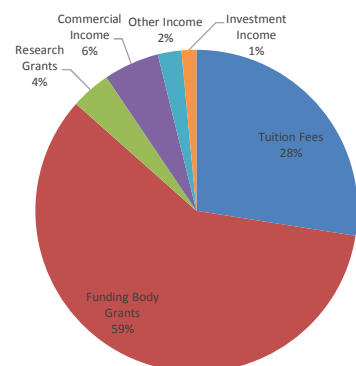
### Assets

- Due to actual investment return on the assets (11%) being greater than the assumed interest on assets (2.7%), there has been a positive experience item of £5,975k.
- This has been offset by an actuarial loss on the assets of £1,538k. This year we have updated our calculations to take into account the results of the 2017 triennial actuarial valuation which uses actual cashflows and investment returns whereas the previous accounting figures use some estimation. This has resulted in a small loss when compared with our roll forward calculations used for earlier accounting calculations, as our roll forward calculations had placed a higher value on the assets.

### Liabilities

- There has been a reduction in the value placed on the liabilities of £5,148k due to the change in financial assumptions. This is largely due to the reduction in the pension increase assumption from 2.70% p.a. to 2.35% p.a. as this places a lower value on the liabilities although this has been slightly offset by the decrease in the discount rate from 2.70% p.a. to 2.65% p.a.
- A change in the demographic assumptions has also resulted in a reduction in the value placed on the liabilities of £4,789k. This year we have adopted a set of demographic assumptions consistent with the 2017 triennial actuarial valuation whereas last year the demographic assumptions were consistent with the assumptions adopted at the 2014 triennial actuarial valuation.
- Finally, there has been an actuarial gain on the liabilities of £4,410k, as with the assets we have updated our calculations to take into account the results of the 2017 triennial actuarial valuation and this has resulted in a gain when compared with our roll forward calculations used for earlier accounting calculations. This gain accounts for the membership movements that would not have been accounted for accurately in the roll forward such as retirements and deaths.

## Statement of Comprehensive Income and Expenditure Income Overview



£000s	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Budget	Projection
Tuition Fees	8,770	8,558	<b>9,064</b>	9,842	10,980
Funding Body Grants	21,066	20,617	<b>19,475</b>	19,666	19,666
Research Grants	909	1,158	<b>1,316</b>	1,540	1,790
Commercial Income	1,887	1,697	<b>1,841</b>	1,512	1,512
Other Income	1,305	1,065	<b>786</b>	480	493
Investment Income	337	404	<b>489</b>	380	380
Subtotal	34,274	33,499	<b>32,972</b>	33,420	34,821
Donations	26	1,172	<b>587</b>	625	125
<b>Total Income</b>	<b>34,300</b>	<b>34,671</b>	<b>33,558</b>	<b>34,045</b>	<b>34,946</b>

### 2018 Income by Source (excluding donations)

Extract from the SOCI

Total income in 2018 of £33.6m is 3% down on the prior year. When the exceptional bequest is excluded, total income is down 2%.

Funding body grants and tuition fees account for 87% of income (excluding donations) in 2016, 2017 and 2018. The share of funding body grants drops from 61% in 2016 to 59% in 2018, offset by an increase in tuition fee income.

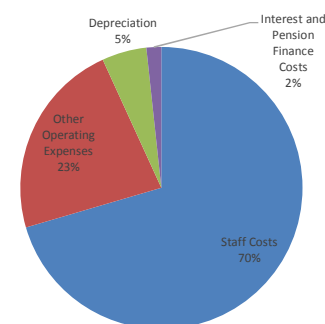
Our internal management information takes total income and analyses it into core income (tuition fees and the main funding body grants) and non-core sources of income (mostly money in – money out for specific activities). This is analysed later in this report and summarised below.

	£000s			% YoY	
	2016 Actual	2017 Actual	2018 Actual	2017 Actual	2018 Actual
Total Income	34,300	34,671	<b>33,558</b>	1%	(3%)
Core	29,027	29,206	<b>29,041</b>	1%	(1%)
Non-Core	5,274	5,465	<b>4,519</b>	4%	(17%)
Excluding Donations	34,274	33,499	<b>32,972</b>	(2%)	(2%)
Core	29,027	29,206	<b>29,041</b>	1%	(1%)
Non-Core	5,248	4,293	<b>3,931</b>	(18%)	(8%)

Core income has fallen (1%) driven by a (£0.6m) reduction to core funding body grants. In 2017 we received a one-off £0.5m increase to our capital maintenance grant. The grant for 2018 reverted to the previous level of £0.4m. The reduction in core funding body grants is offset in part by a £0.5m increase in tuition fee income.

Non-core income (excluding donations) has fallen (18%). This is analysed in more detail later in this section. Research income is up £0.1m, as is the income from our commercial catering and residential operations. Other non-core is down (£0.7m), driven by the Dundee Academy of Sport (£0.3m) which closed on 31<sup>st</sup> July 2018 (initially funded by the SFC for three years, through prudent financial management the project was extended to five years, albeit with a reduced level of running costs in the final year), and Skillset (£0.1m), the financial administration of which transferred from Abertay University to Dundee and Angus College.

## Statement of Comprehensive Income and Expenditure Expenditure Overview



£000s	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Budget	Projection
Staff Costs	22,518	23,963	<b>23,492</b>	24,722	24,743
Other Operating Expenses	8,363	8,102	<b>7,569</b>	7,688	7,777
Depreciation	1,703	1,661	<b>1,698</b>	2,583	2,997
Interest and Pension Finance Costs	446	530	<b>572</b>	530	530
<b>Total Expenditure</b>	<b>33,030</b>	<b>34,256</b>	<b>33,331</b>	<b>35,523</b>	<b>36,047</b>

### 2018 Expenditure by Category

Extract from the SOCI

Total expenditure in 2018 of £33.3m is 3% down on the prior year.

Staff costs account for 70% of expenditure in 2018, up from 68% in 2016. Other operating expenses fall from 25% to 23% over the same period. Depreciation is consistent at 5% of expenditure.

Our internal management information takes total expenditure and analyses it into core expenditure (the running costs of the Schools, Services and infrastructure) and non-core sources of expenditure (mostly money in – money out for specific activities). This is analysed later and summarised below.

	£000s			% YoY	
	2016 Actual	2017 Actual	2018 Actual	2017 Actual	2018 Actual
Total Expenditure	33,030	34,256	<b>33,331</b>	(4%)	3%
Core	27,471	29,900	<b>29,647</b>	(9%)	1%
Non-Core	5,559	4,355	<b>3,684</b>	22%	15%

Core expenditure has fallen 1% owing to the partial release in 2018 of severance costs provided for in 2017.

Non-core expenditure has fallen 15%. This is consistent with the (18%) fall in non-core income (excluding donations).

## Statement of Comprehensive Income and Expenditure

### Core and Non-Core Income and Expenditure

Our internal management information takes total income and total expenditure and analyses them into core (tuition fees and the main funding body grants, less the running costs of the Schools, Services and infrastructure) and other sources of income and expenditure (mostly money in – money out for specific activities).

	Total	Pension		Total Non Core	Research	Commercial Services	Bequest	DAoS & Other In/Out	YoY Variance		
		Total Core	Accounting Other Core						Total	Core	Non Core
<b>2016</b>											
Tuition Fees and Education Contracts	8,770	8,770	0	8,770	0	0	0	0			
Funding Body Grants	21,066	19,211	0	19,211	1,856	0	0	1,856			
Research Grants and Contracts	909	0	0	0	909	0	0	0			
Commercial Income	1,887	0	0	0	1,887	0	1,890	0			
Other Income	1,305	709	0	709	596	81	0	0			
Investment Income	337	337	0	337	0	0	0	0			
<b>Subtotal Excluding Donations</b>	<b>34,274</b>	<b>29,027</b>	<b>0</b>	<b>29,027</b>	<b>5,248</b>	<b>982</b>	<b>1,890</b>	<b>0</b>	<b>2,379</b>		
Donations	26	0	0	0	26	0	0	0			
<b>Total Income</b>	<b>34,300</b>	<b>29,027</b>	<b>0</b>	<b>29,027</b>	<b>5,274</b>	<b>982</b>	<b>1,890</b>	<b>0</b>	<b>2,405</b>		
Staff Costs	22,518	19,918	1,212	18,706	2,600	493	781	0	1,325		
Other Operating Expenses	8,363	5,404	0	5,404	2,959	496	1,232	0	1,231		
Depreciation	1,703	1,703	0	1,703	0	0	0	0	431		
Finance Costs	446	446	446	0	0	0	0	0	0		
<b>Total Expenditure</b>	<b>33,030</b>	<b>27,471</b>	<b>1,658</b>	<b>25,813</b>	<b>5,559</b>	<b>989</b>	<b>2,014</b>	<b>0</b>	<b>2,987</b>		
<b>Surplus/(Deficit) Before Other Gains/Losses</b>	<b>1,270</b>	<b>1,556</b>	<b>(1,658)</b>	<b>3,214</b>	<b>(285)</b>	<b>(7)</b>	<b>(124)</b>	<b>0</b>	<b>(582)</b>		
Gain/ (Loss) on Disposals of Fixed Assets	84	84	0	84	0	0	0	0	0		
Gain/ (Loss) on Disposals of Investments	394	394	0	394	0	0	0	0	0		
<b>Surplus Before Tax/for the Year</b>	<b>1,748</b>	<b>2,034</b>	<b>(1,658)</b>	<b>3,692</b>	<b>(285)</b>	<b>(7)</b>	<b>(124)</b>	<b>0</b>	<b>(582)</b>		
<b>2017</b>											
Tuition Fees and Education Contracts	8,558	8,558	0	8,558	0	0	0	0		(2%)	(2%)
Funding Body Grants	20,617	19,555	0	19,555	1,062	0	0	1,062		(2%)	2%
Research Grants and Contracts	1,158	0	0	0	1,158	1,136	0	0	22	27%	27%
Commercial Income	1,697	0	0	0	1,697	0	1,700	0	0	(10%)	(10%)
Other Income	1,065	689	0	689	376	61	0	0	315	(18%)	(3%)
Investment Income	404	404	0	404	0	0	0	0	0	20%	20%
<b>Subtotal Excluding Donations</b>	<b>33,499</b>	<b>29,206</b>	<b>0</b>	<b>29,206</b>	<b>4,293</b>	<b>1,197</b>	<b>1,700</b>	<b>0</b>	<b>1,399</b>	<b>(2%)</b>	<b>1%</b>
Donations	1,172	0	0	0	1,172	0	0	1,100	72	big	big
<b>Total Income</b>	<b>34,671</b>	<b>29,206</b>	<b>0</b>	<b>29,206</b>	<b>5,465</b>	<b>1,197</b>	<b>1,700</b>	<b>1,100</b>	<b>1,471</b>	<b>1%</b>	<b>1%</b>
Staff Costs	23,963	21,682	1,212	20,470	2,280	657	703	0	919	(6%)	(9%)
Other Operating Expenses	8,102	6,026	0	6,026	2,075	539	881	0	655	3%	(12%)
Depreciation	1,661	1,661	0	1,661	0	0	0	0	0	2%	2%
Finance Costs	530	530	530	0	0	0	0	0	0	(19%)	(19%)
<b>Total Expenditure</b>	<b>34,256</b>	<b>29,900</b>	<b>1,742</b>	<b>28,158</b>	<b>4,355</b>	<b>1,197</b>	<b>1,584</b>	<b>0</b>	<b>1,575</b>	<b>(4%)</b>	<b>(9%)</b>
<b>Surplus/(Deficit) Before Other Gains/Losses</b>	<b>415</b>	<b>(693)</b>	<b>(1,742)</b>	<b>1,049</b>	<b>1,110</b>	<b>(0)</b>	<b>116</b>	<b>1,100</b>	<b>(103)</b>	<b>(67%)</b>	<b>(145%)</b>
Gain/ (Loss) on Disposals of Fixed Assets	0	0	0	0	0	0	0	0	0	(100%)	(100%)
Gain/ (Loss) on Disposals of Investments	945	945	0	945	0	0	0	0	0	140%	140%
<b>Surplus Before Tax/for the Year</b>	<b>1,360</b>	<b>251</b>	<b>(1,742)</b>	<b>1,993</b>	<b>1,110</b>	<b>(0)</b>	<b>116</b>	<b>1,100</b>	<b>(103)</b>	<b>(22%)</b>	<b>(88%)</b>
<b>2018</b>											
Tuition Fees and Education Contracts	9,064	9,064	0	9,064	0	0	0	0		6%	6%
Funding Body Grants	19,475	18,923	0	18,923	552	0	0	552		(6%)	(3%)
Research Grants and Contracts	1,316	0	0	0	1,316	1,302	0	0	15	14%	14%
Commercial Income	1,841	0	0	0	1,841	0	1,845	0	0	8%	8%
Other Income	786	564	0	564	222	39	0	0	182	(26%)	(18%)
Investment Income	489	489	0	489	0	0	0	0	0	21%	21%
<b>Subtotal Excluding Donations</b>	<b>32,972</b>	<b>29,041</b>	<b>0</b>	<b>29,041</b>	<b>3,931</b>	<b>1,341</b>	<b>1,845</b>	<b>0</b>	<b>749</b>	<b>(2%)</b>	<b>(1%)</b>
Donations	587	0	0	0	587	0	0	500	87	(50%)	(50%)
<b>Total Income</b>	<b>33,558</b>	<b>29,041</b>	<b>0</b>	<b>29,041</b>	<b>4,519</b>	<b>1,341</b>	<b>1,845</b>	<b>500</b>	<b>836</b>	<b>(3%)</b>	<b>(1%)</b>
Staff Costs	23,492	21,365	1,212	20,153	2,127	793	744	0	590	2%	1%
Other Operating Expenses	7,569	6,012	0	6,012	1,557	548	795	0	215	7%	0%
Depreciation	1,698	1,698	0	1,698	0	0	0	0	0	(2%)	(2%)
Finance Costs	572	572	572	0	0	0	0	0	0	(8%)	(8%)
<b>Total Expenditure</b>	<b>33,331</b>	<b>29,647</b>	<b>1,784</b>	<b>27,863</b>	<b>3,684</b>	<b>1,341</b>	<b>1,539</b>	<b>0</b>	<b>805</b>	<b>3%</b>	<b>1%</b>
<b>Surplus/(Deficit) Before Other Gains/Losses</b>	<b>227</b>	<b>(606)</b>	<b>(1,784)</b>	<b>1,178</b>	<b>835</b>	<b>0</b>	<b>306</b>	<b>500</b>	<b>32</b>	<b>(45%)</b>	<b>(25%)</b>
Gain/ (Loss) on Disposals of Fixed Assets	(10)	(10)	0	(10)	0	0	0	0	0		
Gain/ (Loss) on Disposals of Investments	156	156	0	156	0	0	0	0	0	(83%)	(83%)
<b>Surplus Before Tax/for the Year</b>	<b>373</b>	<b>(460)</b>	<b>(1,784)</b>	<b>1,324</b>	<b>835</b>	<b>0</b>	<b>306</b>	<b>500</b>	<b>32</b>	<b>(73%)</b>	<b>(283%)</b>

## Balance Sheet

The Balance Sheet is the statement of assets, liabilities and reserves of an entity at a particular point in time, in this case as at 31st July. The Balance Sheet is comprised of two parts. The top part shows net assets (what is left over when you take the total liabilities away from the total assets). In a charity, the net assets are the charity's reserves. These are analysed out in the bottom part of the balance sheet.

### a. Overview of net assets

We have continued strength in our Balance Sheet. This strength was a key factor in preparing our long-term capital investment plan.

This is the third year of reporting under the new SORP - the calculation and presentation of the Balance Sheet was required to change and this introduces some volatility into reporting, particularly to pension liabilities.

The focus of our internal management information is fixed assets, available reserves and pension liabilities:

£m	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2020 Projection
Fixed Assets	27.1	29.9	32.5	38.1	39.8
Available Reserves#	21.0	20.4	18.8	15.2	14.1
Other Assets Less Current Liabilities\$	(4.5)	(3.6)	(1.8)	(3.8)	(3.8)
Total Assets Less Current Liabilities	43.6	46.7	49.5	49.5	50.1
Pension Liabilities	(20.0)	(20.9)	(3.8)	(4.7)	(6.1)
Other Provisions	(0.2)	(0.2)	-	(0.2)	(0.2)
<b>Net Assets</b>	<b>23.4</b>	<b>25.6</b>	<b>44.6</b>	<b>43.4</b>	<b>42.6</b>

# Non-Current Asset Listed Investments + Current Asset Investments + Cash  
\$ Balancing figure

The movements in the value of fixed assets are analysed in more detail on note 7, with supplementary schedules for additions and disposals.

Available reserves are analysed in more detail later in this section (including how the various forms of cash and third party managed funds are presented on different lines of the balance sheet, as well as details of our investment strategy).

Pensions are analysed in more detail on note 12 (including the different types of scheme we operate and how they are accounted for).

### b. Available Reserves as reported on the Balance Sheet

We have £19m of available reserves which are held in various forms of cash and third party managed funds. The level will fall as we invest in the capital plan. Available reserves are reported under the following Balance Sheet headings:

£000s	2016 Actual	2017 Actual	2018 Actual
Non-Current Assets – Investments	10,199	10,006	10,617
Net Current Assets - Current Asset Investments	6,021	6,001	1,076
Net Current Assets – Cash	4,757	4,380	7,060
<b>Total Available Reserves</b>	<b>20,977</b>	<b>20,386</b>	<b>18,753</b>

The SORP requires us to present the available reserves a certain way:

- Investments that we do not expect to realise, or intend to sell or consume, in our normal operating cycle, and / or that we do not expect to realise within 12 months after the reporting period to be reported as Non-Current Asset Investments. The majority of these are our investments managed by UBS. There is also a £25k investment in CVCP Properties plc. This is included at cost, except when there is evidence of a permanent diminution in value.
- Cash held in accounts with more than 95 days' notice, up to 1 year, to be reported as Current Asset Investments.
- Instant access and cash held in accounts with less than 95 days' notice to be reported as Cash.

### c. Investment strategy

Our strategy is to make our reserves work hard before they are required to fund the long-term capital plan. For example a higher rate of return can be generated from notice accounts than instant access funds. Both (total £8.1m) are relatively low risk, but with a low <1% income return. A higher return (capital growth and income return) is achieved with our £10.6m UBS equity and fixed income investments, but these carries a higher, diversified, level of risk. Treasury management is closely monitored by Court.

We have a robust cash- flow framework which considers timing of government grant and fee income receipts, ongoing and capital expenditures. Notice accounts are managed accordingly.

In June 2017 we appointed UBS as our fund manager following a competitive tender. The previous mandate, which served Abertay well, was an unconstrained objective with a low / medium degree of risk, portfolio of 50/50 fixed interest and equities, investment time horizon 3-5 years with ethical investment restrictions (no tobacco, armaments or alcohol and divestment from fossil fuels).

The UBS mandate is for a segregated, globally diversified, multi-asset portfolio designed for capital growth and income generation. It is structured to generate returns to match our long-term target of CPI + 3-4% over a rolling 3 year period with a 3% income yield. The investment philosophy is that the best risk-return trade-offs will come from diversifying from assets classes, regions and sectors. The proposed portfolio volatility is estimated to be approximately 2/3rds that of world equity markets.

The strategic asset allocation is:

- 77% equity (rounded to 45% UK, 8% other EU, 2% Japan, 6% emerging markets, 16% US) (range 65%-85%)
- 13% fixed income (range 5%-25%)
- 6% UK real estate (range 0%-10%)
- 4% cash (range 0%-10%)

UBS adopt a sustainable investing process and the portfolio is completely open to scrutiny from an ethical/social/governance perspective with justification for all the components with detailed research in each case.

### d. Movement of available reserves as reported on the Statement of Comprehensive Income and Expenditure

We report our investments at fair value with changes in fair value recognised through the Statement of Comprehensive Income and Expenditure. Because of market conditions, in 2017 we reported an accounting gain on disposal of £0.9m offset by a decrease in the value of our current asset investments of (£0.2m), a net contribution to the surplus of £0.8m. For 2018 the value of our current asset investments has increased by £0.3m and we reported a gain on disposal of £0.2m, a net contribution to the surplus of £0.5m. There is a corresponding increase in the balance sheet asset value of available reserves.

	2016 £000	2017 £000	2018 £000
Other Operating Expenditure	49	(245)	327
Gain on Disposal of Investments	394	945	156
<b>Impact of Change in Investment Value on Surplus</b>	<b>443</b>	<b>700</b>	<b>483</b>

We also take to income interest from our net current assets and income and dividends yielded from our non-current asset investments.

£000's	2016 Actual	2017 Actual	2018 Actual
Income from Bank Deposits	72	59	93
Income from Non Current Asset Listed Investments	265	235	396
Income from Endowment Asset Investments	0	110	0
<b>Total Investment Income</b>	<b>337</b>	<b>404</b>	<b>489</b>

Investment income is credited to the statement of income and expenditure on a receivable basis.

# RESPONSIBILITIES OF COURT



## Financial Responsibilities of the University Court

In accordance with the Further and Higher Education (Scotland) Act 2005, the Court of the University of Abertay Dundee is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, The Further and Higher Education (Scotland) Act 2005, Scottish Funding Council Accounts Direction and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of the University of Abertay Dundee, the University Court, 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 Court has to ensure 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.
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Court has a responsibility to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council 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 hence to take reasonable steps to prevent and detect fraud; and
- Ensure reasonable steps have been taken to 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, 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 quarterly reviews of financial results involving variance reporting and updates of forecast outcomes.
- 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 Court.
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit & Risk Committee and Finance & Corporate Performance Committee.
- A professional Internal Audit team whose annual programme is approved by the Audit & Risk Committee and endorsed by the Court. The Internal Audit team provides a report of internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

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

The officers and members of the Court who held office at the date of approval of the Annual Report and Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditor is unaware; and each officer and member of the Court has taken all the steps that he/she ought reasonably to have taken as an officer and member of the Court to make himself/herself aware of any relevant audit information and to establish that the University's auditor is aware of that information.

## Court's Primary Responsibilities

The primary responsibilities of Court, as the governing body of the University, are:

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators (KPIs); to ensure that these meet the interests of stakeholders; and to ensure that there are opportunities for Court to provide strategic input in the development of key strategies and long-term plans such that their approval can be considered by Court without conflict of interest.
2. To appoint a Principal and Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
3. To appoint a secretary to Court and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
4. To delegate authority to the Principal and Vice-Chancellor of the University, as chief executive, for the academic, corporate, financial, estate and personnel management of the University; and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.
5. To ensure the quality of Institutional education provision.
6. To ensure adherence to the funding requirements specified by the Scottish Funding Council in its Financial Memorandum and other funding documents.
7. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and 'whistle-blowing' complaints and for managing conflicts of interest.
8. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
9. To establish processes to monitor and evaluate the performance and effectiveness of Court itself.
10. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
11. To safeguard the good name and values of the University.
12. To be the employing authority for all staff in the University and to approve a human resources strategy.
13. To ensure that non-discriminatory systems are in place to provide equality and diversity of opportunity for staff and students.
14. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
15. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
16. To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
17. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
18. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

### Going concern

The University Court considers that the University has adequate resources to continue in operation for the foreseeable future.



Mr Edward W Frizzell CB  
Chair, University Court

The University Court would like to express its thanks to all those who have served on Court or as members of Committees of Court during the course of the year.

**Corporate**

**Board**

**Rules**

**Governance**

**Ethics**

**Decisions**

**C**

**CORPORATE  
GOVERNANCE**

**Administrati**

## Corporate Governance Statement

Court is the governing body of Abertay University. The composition, functions and powers of the Court are set out in the University of Abertay Dundee (Scotland) Order of Council 1994. Under the Order, the objects of the University are to provide education, undertake and carry out research, make suitable and adequate provision for such activities, and conduct the affairs of the University in ways that promote its objects.

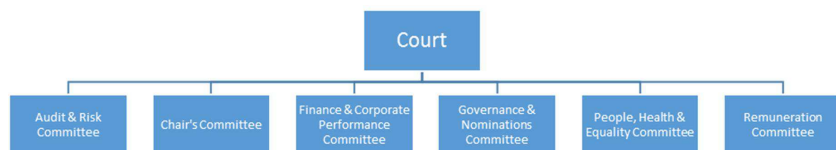
The University is committed to exhibiting good practice in all aspects of corporate governance. A revised Scottish Code of Good Higher Education Governance was published in 2017 which replaced the 2013 Scottish Code of Good Higher Education Governance. Academic year 2017-18 is considered a transitional year for compliance with the 2017 Code. In the opinion of the Governing Body, the University/institution complies with all the principles and provisions of the 2013 Scottish Code of Good Higher Education Governance through the year and complies with the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance by the end of July 2018.

### COURT - THE UNIVERSITY'S GOVERNING BODY

#### Court administration

Court held five scheduled meetings during the year: in October, December, February, April and June. It also held a strategic 'away-day' in April where, with members of the University's senior management group, Court explored the development of the next strategic plan for the University. Court meetings are scheduled for three hours - normally commencing at 2 pm at the University - and are preceded by a visit to part of the University and opportunity to meet staff and students. Between this and the meeting commencing formally, there is a lunch to which all senior managers, members of Senate (the primary academic committee of the University) and those staff who have just been visited by Court members are invited.

All meetings of Court and its committees are scheduled in advance of the academic year. Agendas and papers are published on a committee portal one week in advance of meetings in order to provide time for reading. A notification of publication is sent automatically to all members. Court has a number of standing committees:



#### Court membership

Court comprises independent (lay) members, *ex officio* members (i.e. those who have membership through holding a particular role at the University - specifically Principal and Vice-Principals and Students' Association President); and elected staff members (one from amongst academic staff, one from amongst support staff and one from Senate), with a maximum membership of 25 people.

Independent 'lay' members	18
Student member	1
Executive members <sup>1</sup>	3
Elected staff members	3

This membership ensures that there is a clear majority of independent members on Court and that staff, students and the University's executive are all represented; bringing a wide range of skills, and experience to the functions of Court. The Governance & Nominations Committee ensures that, when vacancies arise in the independent membership, an analysis of the skills and experience required is identified and used when advertising,

<sup>1</sup> i.e. Principal, Vice-Principal (Academic) and Vice-Principal (University Services)

interviewing and inviting Court to appoint new independent members. This committee also ensures that the requirements of the University's governing Order with respect to the experience of these members are also met.

During the year, six independent members either came to the end of their period of office or retired early from their position for personal reasons. An extensive search was undertaken, overseen by the Governance & Nominations Committee, to seek applications. As a result, and following interviews by the Committee, six new lay members were appointed with a wide range of experience from commercial, public and education sectors. Two new staff members were elected to Court. One executive member (a Vice-Principal) left the University in April 2018 and hence ceased to be a member of Court. A new Vice-Principal took up post at the University in September 2018 and joined Court at that point.

#### Key Court roles

**Chair of Court:** The Chair – An independent member - is responsible for the leadership of Court. He/she is responsible for ensuring that the necessary business of Court is carried out efficiently, effectively, and in a manner appropriate for the proper conduct of public business. During the year, the Chair continued to be Eddie Frizzell CB.

**Vice-Chair of Court:** An independent member who acts as Chair in the Chair's absence. During this year, the position was held by Professor Liz Wilson.

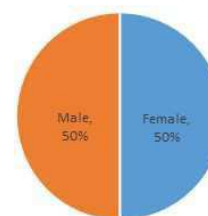
**Court Intermediary:** An independent member serves as an intermediary for other Court members who might wish to raise concerns about the conduct of Court or effectiveness of the Chair; and annually, leads Court's appraisal of the Chair's effectiveness. The role was undertaken by John Burt OBE.

**Secretary to Court:** An employee of the University who is appointed to this role by Court and has a direct reporting line to the Chair of Court. She ensures that Court acts within its powers and follows proper procedures, is the principal officer of Court and acts on the instructions of Court. The Secretary is Sheena Stewart.

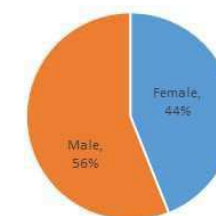
#### Court diversity

At time of writing, Court has met its aim of having a gender breakdown of at least 40% female/40% male amongst lay members and also meeting the gender representation objective of the '*Gender Representation on Public Boards (Scotland) Act 2018*' by having 50% non-executive/independent members who are women.

Gender: all independent Court members



Gender: all Court members



#### Periodic review of Court effectiveness

Court undertook an externally-facilitated review during 2016/17, which involved both an external facilitator and a separate external adviser. This review concluded that the Court of the University was effective and overall met its Statement of Primary Responsibilities and complied with the Scottish Code of Good HE Practice 2013 and the HE Governance (Scotland) Act 2016 (where applicable).

During the year 2017/18, the Governance & Nominations Committee oversaw the implementation of the recommendations that arose from this externally-facilitated review and further information about this is provided in the section later on key activities during the year. The report is published on the University's main website.



## Annual review of Court effectiveness

All Boards and governing bodies should regularly review their effectiveness, and the Scottish Code of Good HE Governance requires that the Courts of universities to do so annually, and, in that context, both to measure compliance with both the Code and performance against Court's Statement of Primary Responsibilities. Since 2015, Court has considered and approved an annual effectiveness report, which is then published on the University's website.

The most recent report – on session 2016/17 – was approved by Court in December 2017. Three significant areas of focus for session 2017/18 were identified, which were:

- Implementing the Scottish Government legislation on HE governance.
- Implementing the recommendations of the externally-facilitated effectiveness review.
- Mapping practice against the revised Code and implementing any changes required.

## Attendance

The table shows the attendance of all members at meetings of Court and Court Committees (to 31 July 2018)

	Court	Court Committees					
		Audit & Risk	Finance & Corporate Performance	Governance & Nominations	Chair's Committee	Remuneration	People, Health & Equality
	5 meetings	4 meetings	4 meetings	4 meetings	5 meetings	2 meetings	5 meetings
Mr H Aitken CBE + *	0 (of 2)		1 (of 1)				
Mr A Bailey + *	1 (of 2)		0 (of 2)				
Mr J Barnett + *	2 (of 2)	2 (of 2)					
Mr M Batho	3 (of 5)		3		5		
Ms A Boyle OBE + #	1 (of 1)						
Mr J Burt OBE +	5 (of 5)				4		5
Mrs L Baxter +	4 (of 5)			3			
Ms A Cameron **	2 (of 2)						1 (of 2)
Dr A Cornish +	0 (of 2)	1 (of 2)					
Dr Y Deeni ~	3 (of 3)						2 (of 3)
Mr D Dorward + **	2 (of 2)		1 (of 1)		1 (of 2)	1 (of 1)	
Mr R Fletcher + ^	1 (of 3)			2 (of 2)			2 (of 3)
Mr E W Frizzell CB Chair	5 (of 5)			3	5	2	
Ms G Ghafoor +	4 (of 5)	3					
Mr M Grossi +	1 (of 5)	2					
Dr M Hinfelaar +	3 (of 5)		4				
Dr A Ingram + *	2 (of 2)						1 (of 2)
Ms V Lynch + *	2 (of 2)						
Mr G MacDougall +	3 (of 5)						3
Mr I McDonald +	4 (of 5)		4		2 (of 3)	1 (of 1)	
Professor S Olivier ##	4 (of 4)				2 (of 4)		
Mr C Rae	5 (of 5)			3			
Dr J Rees +	5 (of 5)						3
Ms F Robertson + *	1 (of 2)		1 (of 1)				
Mrs S Scott +	3 (of 5)			4	4	2	
Professor N Seaton	5 (of 5)			4	5		
Mr M Shaw +	5 (of 5)		3			2	
Dr K Smith ~	3 (of 3)						
Dr S Waiton **	2 (of 2)		2 (of 2)				
Professor E Wilson Vice-	3 (of 5)	3		0 (of 1)	5	2	
Mr T Wilson	5 (of 5)		2	3			
Aggregate attendance level (year to 31 July 2017)	78% (86%)	69% (75%)	78% (68%)	85% (77%)	85% (83%)	100% (90%)	81% (76%)

+ Non-executive/lay member

\* From 21 February 2018

\*\* To 31 December 2017

~ From 1 January 2018

# To 18 October 2017

## To 30 April 2018

^ To 21 February 2018

## Induction and development

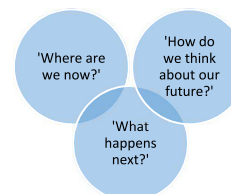
New members received an in-depth induction session provided by the Secretary to Court and are also invited to attend external development events including an Advance HE one-day seminar for new governors in Scotland.

Four members attended an external event for new governors in 2017: one member attended an event for new student governors and three members attended the above noted event for governors in Scotland.

## COURT AND ITS COMMITTEES: KEY ACTIVITIES DURING YEAR

### Strategic development

Court holds regular conferences at which strategic development issues are discussed and it receives regular updates on the implementation of objectives. In April 2018, Court held a strategic conference in which Court and senior management considered the progress being made against the current Strategic Plan 2015-2020. Sessions focused on:



This provided all Court members, especially new members, with the opportunity to understand and reflect on the University's progress with our current Strategic Plan 2015-2020 and to look ahead to the development – including wide stakeholder engagement – with our next strategy and Strategic Plan for the period 2020-2025.

Court directly and through its committees maintained oversight of the Key Performance Indicators previously approved by Court.

### Financial performance and capital investment

Court, through its Finance & Corporate Performance Committee, reviewed the financial performance of the University and approved the University's budget for session 2018/19. Court also approved new capital projects including the replacement of the heating system in the University's Old College; the application for two interest-free loans from the SFC's Carbon Reduction and Energy Efficiency Funds.

### People matters

Court, through its People, Health & Equality Committee, reviewed the University staff survey and monitored the approach being adopted to addressing some of the themes arising. New employee policies on buying annual leave and taking sabbaticals were approved; and reports were reviewed on health, safety and welfare and on disciplinary, capability and grievance cases. In relation to statutory duties and legal requirements, Court considered annual reports on the University's compliance with the Prevent Duty, the Public Sector Equality Duty, with the Freedom of Information (Scotland) Act, with the requirements of the Scottish Public Services Ombudsman, and on preparedness for the General Data Protection Regulation. Court also received regular reports on employee relations.

### Governance

Court, through its Governance & Nominations Committee undertook significant activity in (a) implementing the requirements of the Higher Education Governance (Scotland) Act 2016 ('the Act'); (b) implementing the new requirements and expectations of the revised Scottish Code of Good HE Governance (*see box below*); and (c) implementing the recommendations that arose from the externally-facilitated periodic review of Court's effectiveness.

The Act requires a number of substantial changes to the governance of the University. For the year in question, Court approved changes to the membership of Senate and to the governing order of the University itself to meet the requirements of the Act. The new governing Order is being developed by the Scottish Government in collaboration with the University and it is anticipated that this revised constitutional document will be in place by or during session 2019/20. Only at this point will the new Senate membership be introduced. Court also appointed a new Chair of Court in line with its agreed process, commencing 1 January 2019.

the scottish code of  
**GOOD HE GOVERNANCE**

The revised edition of the Scottish Code of Good HE Governance, produced by the Committee of Scottish Chairs in consultation with a wide range of stakeholders, was published in October 2017. This Code, originally produced in 2013, states that it:

*“underpins the sector’s commitment to high standards of governance. Governing bodies have a responsibility to lead by example, guiding the development of the institution’s ethics and values and demonstrating these in the governing body’s own actions. This means that they must show leadership and integrity not only in the decisions they make but also in the way they conduct their business”.*

The Code sets out a range of good governance practice with which institutions must ‘comply or explain’.

During the year, Court, through its Governance & Nominations Committee, mapped all of its practice against the requirements and expectations set out in the Code. The initial mapping indicated that the University complied with 83% of the Code items; with the remaining 17% being either matters that were new and needed to be addressed; or were areas of partial compliance.

Ongoing work throughout the year has seen new policies and practices introduced (or approved for introduction at a future relevant point) by Court.

**In the opinion of Court, Abertay University complies with all the principles and provisions in the 2013 Scottish Code of Good HE Governance through the year and complies with the principles and provisions of the 2017 Scottish Code of Good HE Governance by the end of July 2018.**

#### Remuneration

The Remuneration Committee, comprising only independent members, fulfilled its remit during the year in relation to (a) considering the salaries of the senior officers of the University, namely the Principal, the Vice-Principal (Academic), the Vice-Principal (University Services) and the University Secretary; and (b) deciding the principles for determining the salaries of all other University staff whose salaries are in the discretionary range above the nationally-determined salary scale.

When setting remuneration for senior officers, Court is mindful of public interest and of the tight funding environment in which the University operates. It therefore adopts an approach that is evidenced through performance, is broadly in line with comparator institution data and is informed by the views of all members of Court including staff and student members.

During the year, the performance of the Principal and senior officers was discussed as a formal agenda item by Court (without senior officers present). This informed the deliberations of the Remuneration Committee when it met subsequently and a detailed report was provided to Court. The Chair of Court also meets annually with the Secretary to Court to discuss her performance in relation to her role in supporting Court.

The data used to inform the Remuneration Committee is drawn from the Universities and Colleges Employer Association’s Senior Staff Remuneration Survey and the Committee of University Chairs’ Vice-Chancellor Salary Survey; and internal analysis of salary distributions. The institutions used for benchmarking have been selected on the basis of broadly equivalent income and number of students.

Note 5 to the Financial Statements details the relationship between the Principal’s pay and that of all other employees (as a multiple of the median pay across all staff).

#### Audit and risk management and internal controls

As the governing body of the University, Court is responsible for the University’s system of internal control, which includes internal audit; delegation of responsibilities within a regulatory framework; and reviewing its effectiveness. The system is designed to fulfil the University’s responsibilities related to accountability, transparency and value for money inherent in good corporate governance practice. It emphasises the effective management of risk, using well thought-out and controlled risk-taking. However, any such system can only provide reasonable and not absolute assurance against material misstatement or loss.

Court undertakes a continuous review of the process used by the University to identify, measure and manage its key risks. These risks comprise both business and financial risk and derive from operating in the environment of the higher

education sector. The identification, measurement and management of risk are conducted through the University’s Risk Management framework. This process is reviewed by the Audit & Risk Committee of Court, and accords with the internal control guidance for directors on the UK Corporate Governance Code.

Delegation of responsibilities is articulated within the University’s ‘Scheme of Delegation’ which sets out those authorities that are assigned by Court to its committees; to the Principal and his executive team; and to Senate and its committee in relation to matters of academic policy, regulation and development.

During the year, the Audit & Risk Committee:

- Had a new Chair appointed by Court.
- Approved the internal audit plan for the year and considered the reports arising from this plan, including a review of risk management within the University.
- Considered the 2016-17 Integrated Report and Financial Statements for the University.
- Considered a six-monthly update on risk management and later recommended to Court that a refreshed risk management policy and framework be approved – this includes more frequent reporting on risk).
- Commended an annual report on Value for Money produced by the Director of Finance & Research Funding.
- Discussed innovations in the work of the committee such as incorporating regular reporting on insurance and tribunal cases; and – in discussion with the chair of the Finance & Corporate Performance Committee – has begun reviewing the relationship between these two committees with a view to providing clarity of their respective remits and providing a greater role for the Audit & Risk Committee in terms of assurance of project controls in advance of large-scale projects being launched by the University.
- Held a private meeting with the internal and external auditors with no senior members of University staff present.

The membership of the Committee was also strengthened through the appointment of a second external (independent) member with substantial financial and corporate governance experience.

#### Court: stakeholder engagement

During 2017/18, Court visited a number of areas of the University to meet staff and students, including Dundee Business School, the School of Design and Informatics, the parts of the University’s Bernard King Library that had been refurbished during the summer of 2017 and the IT section of Information Services department. Members of Court attended and/or participated in a range of events at the University including prize-giving events, public lectures, Scottish Crucible activities, entrepreneurial events for business students, student degree shows and many others.

The agendas and papers for Court and its committees are all published and available to staff and students of the University. Approved Court minutes are published on the University’s website along with the register of interests of each Court member, the Secretary to Court and the Director of Finance and Research Funding.

The University Secretary published a regular blog on the University’s intranet to share with staff and students a summary of Court’s activities.

Twelve members of staff of the University took up the open invitation to observe meetings of Court; and members of Court attended meetings of Senate as observers.

#### CONCLUSION

The range of activities described within this Corporate Governance Statement reflect Court’s commitment to delivering on its primary responsibilities and adopting an approach of continuous improvement in governance matters and increasing transparency and engagement with stakeholders.

VICE

# AUDIT

METHODS

OPINIO

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INDEPENDENT  
AUDITOR'S  
REPORT

## Independent Auditor's Report to the Court of the University of Abertay Dundee

### Opinion

We have audited the financial statements of the University of Abertay Dundee ('the institution') for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the institution's state of affairs as at 31 July 2018 and of the income and expenditure, recognised gains and losses, and statement of cash flow for the year for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- Have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- Have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the University Court's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the University Court have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report on pages 1 to 17, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum with Higher Education Institutions

In our opinion, in all material respects:

- Scottish Funding Council's accounts direction have been met;

- Funds from whatever source administered by the institution for specific purposes have been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- Funds provided by Scottish Funding Council have been applied in accordance with the requirements of the Scottish Funding Council Financial Memorandum with Higher Education Institutions.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- The information given in the Strategy and Financial Review is inconsistent in any material respect with the financial statements; or
- Proper accounting records have not been kept; or
- The financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations we require for our audit.

### Responsibilities of the University Court

As explained more fully in the Statement of Responsibilities of Court set out on page 13, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the University Court either intend to liquidate the institution or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

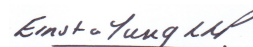
We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the University Court of the University of Abertay Dundee, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them 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 University of Abertay Dundee and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.



Statutory Auditor, Edinburgh,

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Notes:

1. The maintenance and integrity of the University of Abertay Dundee's web site is the responsibility of the University Court; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## Introduction to the Financial Statements

### Objective

The objective of financial statements is to provide information about the financial position, performance and cash flows of the institution that is useful for economic decision-making by a broad range of users who are not in a position to demand reports tailored to meet their particular information needs.

These users include:

- The governing body of the institution.
- The funding bodies.
- Charity regulators.
- Government and government departments.
- The institution's employees (past, present and future).
- The institution's students (past, present and future).
- Lenders and creditors.
- Other institutions, schools and industry.
- Grant-awarding bodies, donors and benefactors.
- The general public.

Funders and financial supporters may have differing needs in detail, but there are certain key characteristics of financial information which are applicable to all. The main objectives of the financial statements and related reports are, therefore, to provide the following information:

- A true and fair view of the financial position of the institution at the date of the Balance Sheet and of the income and expenditure, gains and losses, reserves and cash flows for the period then ended.
- Suitable analysis and appropriate disclosure of:
  - The income from all sources within the period of the account.
  - The expenditure on all activities within the period of the account.
  - The assets and liabilities of the institution, classified in suitable form.
  - Any known or probable circumstances which might significantly affect the institution's financial position.
  - How the institution is performing financially, including the adequacy of its working capital, its solvency (or insolvency), and its investment performance.
- Narrative disclosures to include:
  - An explanation of the corporate governance of the institution and an appropriate statement of responsibilities
  - A Strategic Report.

The accounting concepts and pervasive principles underlying the financial statements of entities are set out in section 2 of FRS 102. Institutions applying FRS 102 and this SORP must apply these concepts and principles.

### Format

An institutions' financial statements must include:

- A statement of principal accounting policies and estimation techniques.
- A Statement of Comprehensive Income presenting the financial performance during the accounting period.
- A Statement of Changes in Reserves.
- A Balance Sheet presenting the financial position at the end of the accounting period.
- A Statement of Cash Flows.
- Notes to the accounts.

We have chosen to include two years of prior comparators in order to place the actual results for the year ended 31<sup>st</sup> July 2018 in context. An additional section, marked unaudited and excluded from the audit opinion includes two years of budget and projection to offer further context as to where we have come from and where we are going.

## Statement of Principal Accounting Policies

### 1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting in Further and Higher Education 2015* and in accordance with Financial Reporting Standard 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS102. The financial statements are prepared in accordance with the historical cost convention.

The financial statements do not include the income and expenditure of the Students' Association as the University is not in the position to exert control or dominant influence so as to obtain benefit from its activities.

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of accounting policies, management are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future period.

The following are the key assumptions and estimations that management have made in the process of applying the University's accounting policies and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Pension liabilities – the key assumptions made in deriving these figures are explained in detail in notes 12-15.
- Provisions – yearend provisions are made based on best available information at the time of preparing the financial statements.
- Depreciation and useful economic lives of buildings – the key assumptions are explained in note 7.

### 3. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when:

- The University has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

### 4. Taxation

The University is recognised as charity by HM Revenue and Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Vat allocated to Fixed Assets is included in their costs.

### 5. Income Recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Grants (including Research Grants) from non-Government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

### 6. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### 7. Related parties

During the year the University Secretary served on the board of APUC, with whom the University purchased goods to the value of £69k (2017 £107k) and the Principal & Vice Chancellor served on the board of JISC collections, with whom the University purchased goods to the value of £122k (2017 £108k). Neither had a balance outstanding on 31/7/18.

There is a separate Students' Association at Abertay and the University does not exercise control over it. The University makes an annual grant to support the Association's activities. Certain costs are recorded in the books of the University and reimbursed by the Association.

### 8. Stock

Stocks of catering supplies are valued at the lower of cost or net realisable value on the basis of first in first out. Where necessary, provision is made for slow-moving stock. The 2018 closing value was £29k.

### 9. Provisions, contingent liabilities and contingent assets

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes. There are none in 2018.

**Further accounting policies are detailed on the appropriate notes to the Financial Statements.**

## Statement of Comprehensive Income and Expenditure (SOCI)

The SOCI is a statement of surplus / deficit and other comprehensive income for the financial year ended 31<sup>st</sup> July. Surplus or deficit is the total of income less expenses, excluding the components of other comprehensive income. Other comprehensive income comprises items of income and expense that are not recognised in the surplus or deficit (as required by the accounting rules). The biggest value item for Abertay is the actuarial gain / loss in respect of the defined benefit Tayside Superannuation Fund. Total comprehensive income comprises all components of surplus or deficit and of other comprehensive income.

For the year ended 31 July	Note	2016 Actual £000	2017 Actual £000	2018 Actual £000
<b>Income</b>				
Tuition Fees and Education Contracts	1	8,770	8,558	9,064
Funding Body Grants	2	21,066	20,617	19,475
Research Grants and Contracts	3	909	1,158	1,316
Commercial Income		1,887	1,697	1,841
Other Income		1,305	1,065	786
Investment Income		337	404	489
Donations	6	26	1,172	587
<b>Total Income</b>		<b>34,300</b>	<b>34,671</b>	<b>33,558</b>
<b>Expenditure</b>				
Staff Costs	5	22,518	23,963	23,492
Other Operating Expenses		8,363	8,102	7,569
Depreciation	7	1,703	1,661	1,698
Interest and Pension Finance Costs		446	530	572
<b>Total Expenditure</b>	4	<b>33,030</b>	<b>34,256</b>	<b>33,331</b>
<b>Surplus/(Deficit) Before Other Gains/Losses</b>		<b>1,270</b>	<b>415</b>	<b>227</b>
Gain/ (Loss) on Disposals of Fixed Assets		84	0	(10)
Gain/ (Loss) on Disposals of Investments		394	945	156
		478	945	146
<b>Surplus Before Tax/for the Year</b>		<b>1,748</b>	<b>1,360</b>	<b>373</b>
Actuarial Gain/ (Loss) in Respect of Pension Scheme		(6,329)	818	18,784
Other Comprehensive Income/(Expenditure)		(18)	(29)	(115)
		(6,347)	789	18,669
<b>Total Comprehensive Income for the Year</b>		<b>(4,599)</b>	<b>2,149</b>	<b>19,042</b>
<b>Represented by:</b>				
Restricted Comprehensive Income for the Year		(9)	(41)	(3)
Unrestricted Comprehensive Income for the Year		(4,597)	2,236	19,072
Endowment Comprehensive Income for the Year		7	(46)	(27)
		<b>(4,599)</b>	<b>2,149</b>	<b>19,042</b>

## Balance Sheet

The Balance Sheet is the statement of assets, liabilities and reserves of an entity at a particular point in time, in this case as at 31st July. The Balance Sheet is comprised of two parts. The top part shows net assets (what is left over when you take the total liabilities away from the total assets). In a charity, the net assets are the charity's reserves. These are analysed out in the bottom part of the balance sheet.

At 31 July	Note	2016 Actual £000	2017 Actual £000	2018 Actual £000
<b>Non-Current Assets</b>				
Fixed Assets	7	27,127	29,899	32,539
Listed Investments		10,199	10,006	10,617
		37,326	39,905	43,156
<b>Current Assets</b>				
Stock		28	30	27
Investments		6,021	6,001	1,076
Trade and Other Receivables	8	1,470	1,648	1,609
Cash		4,757	4,380	7,060
		12,276	12,059	9,772
Less: Trade and Other Payables: amounts falling due within one year	9	(5,985)	(5,264)	(3,413)
<b>Net Current Assets</b>		<b>6,291</b>	<b>6,795</b>	<b>6,359</b>
<b>Total Assets less current liabilities</b>		<b>43,617</b>	<b>46,700</b>	<b>49,515</b>
<b>Creditors falling due after one year - SFC Loan</b>	10	<b>0</b>	<b>0</b>	<b>(1,076)</b>
<b>Provisions</b>				
Pension Provisions	12	(19,996)	(20,930)	(3,827)
Other Provisions		(200)	(200)	0
		(20,196)	(21,130)	(3,827)
<b>Total Net Assets</b>		<b>23,421</b>	<b>25,570</b>	<b>44,612</b>
<b>Restricted Reserves</b>				
Endowment Reserve		966	919	892
Other Restricted Reserves		150	108	105
		1,116	1,027	997
<b>Unrestricted Reserves</b>				
Income and Expenditure Reserve		22,305	24,543	43,615
<b>Total Funds</b>		<b>23,421</b>	<b>25,570</b>	<b>44,612</b>

The financial statements on pages 20 to 34 were approved by Court on 14 November 2018 and were subsequently signed on its behalf on 14 December 2018 by:

*N. A. Seaton*

Professor Nigel Seaton  
Principal & Vice-Chancellor

*Edward W Frizzell*

Mr Edward W Frizzell CB  
Chair, University Court

*David Reeves*

Mr David Reeves  
Director of Finance and Research  
Funding



## Cash Flow Statement

For the year ended 31 July	2016 Actual £000	2017 Actual £000	2018 Actual £000
<b>Cashflow from Operating Activities</b>			
(Deficit)/Surplus for the Year	1,748	1,360	373
Other Comprehensive Income	(6,347)	789	18,669
	(4,599)	2,149	19,042
<b>Adjustment for Non Cash Items</b>			
Depreciation and Impairment Charges	1,703	1,661	1,698
(Increase)/Decrease in Stock	(3)	(2)	3
Decrease/(Increase) in Debtors	65	(178)	39
(Decrease) in Creditors	(983)	(721)	(1,851)
Increase/(Decrease) in Pension Provision	7,361	934	(17,103)
Increase/(Decrease) in Other Provision	200	0	(200)
Gain on Disposal of Investments	92	537	156
<b>Adjustment for Investing or Financing Activities</b>			
Investment Income	(265)	(235)	(396)
Donation/ Endowment Income	(26)	(1,125)	11
Gain on Disposal of Fixed Assets	(84)	0	10
Interest Income	(72)	(59)	(93)
Capital Grant Income	(413)	(930)	(408)
<b>Net Cashflow from Operating Activities</b>	<b>2,976</b>	<b>2,031</b>	<b>908</b>
<b>Cashflows from Investing Activities</b>			
Current and Non-Current Investment Income	265	235	396
Endowment Income	85	1,233	77
Endowment Expenditure	(8)	(107)	(104)
Restricted Donations	24	0	28
Restricted Reserves Expenditure	(33)	0	(31)
Fixed Asset Additions	(1,460)	(5,433)	(4,347)
Proceeds from Sale of Fixed Assets	513	1,000	0
Non-Current Investment (Additions)/Disposals	(1,554)	20	(235)
Income from Disposal of Current Asset Investments	1,296	9,859	(534)
Current Asset Investment (Additions)/Disposals	(1,379)	(10,204)	4,925
Capital Grant Receipts	413	930	428
<b>Cashflow from Returns on Investments and Servicing of Finance</b>	<b>(1,838)</b>	<b>(2,467)</b>	<b>603</b>
<b>Cashflows from Financing Activities</b>			
Interest Income	72	59	93
New Loans	0	0	1,076
<b>Cashflow from Capital Expenditure and Financial Investments</b>	<b>72</b>	<b>59</b>	<b>1,169</b>
<b>(Decrease)/Increase in Cash and Cash Equivalents in the Year</b>	<b>1,210</b>	<b>(377)</b>	<b>2,680</b>
Cash and Cash Equivalents at Beginning of the Year	3,547	4,757	4,380
Cash and Cash Equivalents at End of the Year	4,757	4,380	7,060
<b>(Decrease)/Increase in Cash and Cash Equivalents in the Year</b>	<b>1,210</b>	<b>(377)</b>	<b>2,680</b>

## Statement of Changes in Reserves

	Income and Expenditure Account			Total £000
	Endowment Reserves £000	Restricted Reserves £000	Unrestricted Reserves £000	
<b>Balance at 1 August 2016</b>	965	150	22,306	23,421
Surplus/(Deficit) from the Statement of Comprehensive Income and Expenditure	(46)	0	1,406	1,360
Other Comprehensive Income	0	(42)	831	789
Total Comprehensive Income for the year	(46)	(42)	2,237	2,149
<b>Balance at 31 July 2017</b>	<b>919</b>	<b>108</b>	<b>24,543</b>	<b>25,570</b>

	Income and Expenditure Account			Total £000
	Endowment Reserves £000	Restricted Reserves £000	Unrestricted Reserves £000	
<b>Balance at 1 August 2017</b>	919	108	24,543	25,570
Surplus/(Deficit) from the Statement of Comprehensive Income and Expenditure	(27)	0	400	373
Other Comprehensive Income	0	(3)	18,672	18,669
Total Comprehensive Income for the year	(27)	(3)	19,072	19,042
<b>Balance at 31 July 2018</b>	<b>892</b>	<b>105</b>	<b>43,615</b>	<b>44,612</b>

## Notes to the Financial Statements

### Note 1: Income – Tuition Fee and Educational Contracts

#### a. Accounting policy

Fee Income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period of study. 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.

#### b. Income reported in the Statement of Comprehensive Income and Expenditure

	2016 Actual £000	2017 Actual £000	2018 Actual £000
<b>Scottish and EU Student Fees</b>			
Undergraduate	5,986	5,788	5,710
Post Graduate Taught	488	602	1,079
Post Graduate Research	19	31	33
	<u>6,493</u>	<u>6,421</u>	<u>6,822</u>
<b>RUK Student Fees</b>			
Undergraduate	994	717	902
Post Graduate Taught	290	345	6
Post Graduate Research			
	<u>1,284</u>	<u>1,062</u>	<u>908</u>
<b>Non EU (International) Fees</b>	965	966	1,261
<b>Other Fees</b>	28	109	73
	<u>8,770</u>	<u>8,558</u>	<u>9,064</u>

Supplementary analysis by full-time / part-time method of study:

	2016 Actual £000	2017 Actual £000	2018 Actual £000
<b>Full Time</b>			
Scottish and EU Students	5,823	5,514	5,580
RUK Students	968	693	871
Non EU (International Students)	965	966	1,261
	<u>7,756</u>	<u>7,173</u>	<u>7,712</u>
<b>Part Time</b>	1,014	1,385	1,352
	<u>8,770</u>	<u>8,558</u>	<u>9,064</u>

## Notes to the Financial Statements

### Note 2: Funding Body Grants

#### a. Accounting policy

Funding Body Grants including block grants are recognised as income when the University is entitled to the income and performance related conditions have been met.

Funding for research is administered under a dual-support scheme. Under this system, the SFC provides annual funding in the form of a 'block grant', and the UK Research Councils (and a range of other bodies including other UK government, EU, charitable and industrial partners) provide funding for specific research projects and programmes. We received £2.6m of research funding in 2018 - £1.3m in the form of a block grant from the SFC (set-out in this note below), and £1.3m for specific research projects (set-out in note 3).

The purpose of this note is the SFC block grant.

There are four elements that contribute to the calculation of the £1.3m block grant:

- A quality-related research grant, using the results of the last REF (£581k).
- Contribution towards meeting full economic costs for projects funded by the UK Research Councils and other competitively funded research (£76k), and a contribution towards meeting full economic costs for charity-funded research (£46k), both allocated in proportion to the amount of research income each university receives. It is important to note that, despite these contributions, funding for specific projects falls short of the full cost of carrying out the research.
- A research postgraduate grant, distributed in line with the average of research postgraduate student numbers for 2015 and 2016 (£294k).
- Funding from the University Innovation Fund, to support the reform and simplification of the innovation support landscape in the university sector, in line with Scottish Government priorities (£295k).

#### b. Income reported in the Statement of Comprehensive Income and Expenditure

	2016 Actual £000	2017 Actual £000	2018 Actual £000
<b>SFC Recurrent Grants</b>			
Teaching and Research Grant	17,840	17,693	17,583
Regional Coherence	859	859	859
	<u>18,699</u>	<u>18,552</u>	<u>18,442</u>
<b>SFC Specific Grants</b>			
Dundee Academy of Sport	984	585	286
Capital Maintenance	439	930	408
Articulation	358	61	(45)
Wider Access	269	326	311
Other	317	163	73
	<u>2,367</u>	<u>2,065</u>	<u>1,033</u>
<b>Total Funding Body Grant Income</b>	<u>21,066</u>	<u>20,617</u>	<u>19,475</u>

The Dundee Academy of Sport closed on July 31<sup>st</sup> 2018. Initially funded by the SFC for three years, through prudent financial management the project has enjoyed five years of excellent work with schools.

## Notes to the Financial Statements

### Note 3: Research Grant and Contract Income

#### a. Accounting policy

Research grants from government sources, grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met.

Funding for research is administered under a dual-support scheme. Under this system, the SFC provides annual funding in the form of a 'block grant', and the UK Research Councils (and a range of other bodies including other UK government, EU, charitable and industrial partners) provide funding for specific research projects and programmes. We received £2.6m of research funding in 2018 - £1.3m in the form of a block grant from the SFC (set-out in note 2), and £1.3m for specific research projects (set-out in this note below).

#### b. Research Grant and Contract Income in the Statement of Comprehensive Income and Expenditure

The table below analyses total research grant and contract income by type of funder.

	2016 Actual £000	2017 Actual £000	2018 Actual £000
Medical Research Council (MRC)	13	20	1
Natural Environmental Research Council (NERC)	122	153	109
Engineering and Physical Sciences Research Council (EPSRC)	7	16	96
Economic and Social Research Council (ESRC)	4	0	0
Arts and Humanities Research Council (AHRC)	119	1	63
Other	23	19	3
Research Council Total	288	209	272
UK Charities	211	272	380
UK Government	319	340	401
UK Industry	1	40	28
EU	(44)	137	172
Other	134	160	63
<b>Total Research Grant and Contract Income</b>	<b>909</b>	<b>1,158</b>	<b>1,316</b>

## Notes to the Financial Statements

### Note 4: Analysis of Total Expenditure by Activity

The table below summarises our total Expenditure according to our (Higher Education Statistics Agency) HESA categories, which collates and compares UK Higher education data.

	2017 Actual £000	Academic Staff Costs £000	Other Staff Costs £000	Total Staff Costs £000	Other Operating Expenses £000	Depreciation £000	Interest and Other Finance Costs £000	2018 Actual £000
Academic Departments	11,812	10,566	955	11,521	1,034	170	0	12,725
Academic Services	4,317	150	2,474	2,624	1,502	146	0	4,272
Administration & Central Services	9,891	279	6,230	6,509	2,789	33	0	9,331
Premises	3,238	0	1,148	1,148	1,643	1,211	0	4,002
Residences & Catering Operations	954	0	249	249	380	138	0	767
Research Grants & Contracts	1,158	238	540	778	535	0	0	1,313
Pension Cost Adjustment	1,742	0	1,109	1,109	0	0	572	1,681
Other	1,144	0	(446)	(446)	(314)	0	0	(760)
	<b>34,256</b>	<b>11,233</b>	<b>12,259</b>	<b>23,492</b>	<b>7,569</b>	<b>1,698</b>	<b>572</b>	<b>33,331</b>
<b>2017 Comparison</b>		10,836	13,127	23,963	8,102	1,661	530	34,256
<b>2016 Comparison</b>		10,812	11,706	22,518	8,363	1,703	446	33,030

#### Other Operating Costs include:

External Auditors remuneration in respect of audit services £48k (2017 - £47k)

Internal Auditors remuneration in respect of audit services £32k (2017 £33k)

Operating Lease rentals £14k (2017 £16k)

## Notes to the Financial Statements

### Note 5: Staff Expenditure

#### a. Staff Expenditure as reported in the Statement of Comprehensive Income and Expenditure

	2016 Actual £000	2017 Actual £000	2018 Actual £000
<b>Staff Costs</b>			
Wages and salaries	17,198	17,432	17,926
Social security costs	1,456	1,777	1,847
Employer Contribution - Pension Costs	2,699	2,816	2,892
<b>Underlying Staff Expenditure</b>	<b>21,353</b>	<b>22,025</b>	<b>22,665</b>
Severance Costs	622	726	(282)
Pension service costs	543	1,212	1,109
<b>Total Staff Expenditure</b>	<b>22,518</b>	<b>23,963</b>	<b>23,492</b>

Underlying staff expenditure adjusts the total staff expenditure for severance and pension service costs. Underlying staff costs in 2018 were (£22.7m), up (3%) driven by the (1.7%) annual pay award (from August 2017). In addition, half of our staff received an increment (worth a 3% salary uplift).

Total staff expenditure is down 2.0%, driven by severance costs which have a year on year variance of £1.0m.

	2017 Actual £000	2018 Actual £000
2017 Provision	700	0
Reverse of Provision	0	(700)
Provision Use	0	316
Net 2017 Provision	700	(384)
2018 costs not provided for in 2017	0	102
Other (relating to 2016/2017)	26	0
<b>Severance Costs</b>	<b>726</b>	<b>(282)</b>

#2016 actuals have not been shown in the above table. This is in order to analyse the movement in severance costs between 2017 and 2018 and make it more readable.

A £700k restructuring provision was taken in the 2017 accounts. During the course of 2017/18, £316k was used as per the purpose of the original provision and £384k was released. £102k of new costs were incurred in 2018 which were not covered by the July 2017 provision and no new provisions have been made in the 2018 accounts. The result is a negative severance cost of £281k in the 2018 Statement of Comprehensive Income and Expenditure.

Further information on Pension Service Costs can be found in note 12.

#### b. Average staff numbers, expressed as FTE

Average salaried FTEs were flat at 464. The number of support staff fell to an average of 263 FTE (a continuation of the long-term trend). Academic FTEs increased to an average of 201, in line with the growth set out in our Operational Plan. The 2016 position was understated owing to a number of unfilled vacancies.

	2016 Actual	2017 Actual	2018 Actual
Academic Staff	186	196	201
Support Staff	285	268	263
	<b>471</b>	<b>464</b>	<b>464</b>

Academic Staff include Teaching Fellows, Lecturers, Professors and Researchers. Support Staff include Senior Managers including Heads of Schools. There are a small number of non-salaried staff who are excluded from the above summary.

#### c. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Key Management Personnel are considered to be the Executive Group, made up of Principal and Vice Chancellor, University Secretary, and Vice Principals. One of the Vice Principals left part way through 2018, with his replacement starting later this autumn. This has an effect on the tables below.

	2016 Actual £000	2017 Actual £000	2018 Actual £000
Key management personnel compensation (salary and benefits excluding employer's pension contributions)	507	522	498

#### d. Emoluments of the Principal

	2016 Actual £000	2017 Actual £000	2018 Actual £000
Salary	175	183	186
Employer's contribution to pension	29	33	33
	<b>204</b>	<b>216</b>	<b>219</b>

- No bonus or other taxable benefits were paid to the Principal during the year.
- The median salary multiple, (where median salary is total staff expenditure/ average staff £51k) to Principal's salary is 4.3 (2017 4.2).

#### e. Emoluments of other key management personnel

Remuneration excluding severance payments, employer's contributions to National Insurance and superannuation schemes paid to other key management personnel are shown in the table below (by salary band).

	2016 Actual	2017 Actual	2018 Actual
Number FTE			
£100,001 - £110,000	0	0	1
£120,001 - £130,000	2	1	0
£130,001 - £140,000	0	1	1

In 2017 and 2018, no severance arrangements were applied to staff earning in excess of £100,000.

#### f. Court Members

The University court members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Court, 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 Court may have an interest. All transactions involving organisations in which a member of the Court may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

In 2017 and 2018, no Court member received remuneration or waived payments from the University. The total expenses paid to or on behalf of 9 Court members was £3k (2017 £4k). This represents travel and subsistence expenses incurred in attending Court, Committee Meetings and charity events in their official capacity.

## Notes to the Financial Statements

### Note 6: Donations and Endowments

#### a. Accounting policy

Non exchange transactions without performance related conditions are donations and endowments. Donations and Endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no related conditions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted according to the terms or the restrictions applied to the individual endowment fund.

There are two main types of donations and endowments reported within reserves on the Balance Sheet:

- Restricted Donations – the donor has specified that the donation be used for a particular objective.
- Expendable Endowments – the donor has specified a particular objective other than the purchase of tangible fixed assets and the University has the power to use the capital.

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanent restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

#### b. Income reported in the Statement of Comprehensive Income and Expenditure

All new endowments and donations are recognised as income (upon entitlement). In 2017 we received the first tranche (£1.1m) of a significant personal bequest. A second tranche (£0.5m) was received in 2018.

	2016 Actual £000	2017 Actual £000	2018 Actual £000
Restricted Donations	31	47	4
Donations with no Restrictions	(5)	1,125	583
<b>Total Income</b>	<b>26</b>	<b>1,172</b>	<b>587</b>

#### c. Reserves reported on the Balance Sheet

Reserves are analysed out at the bottom of the Balance Sheet. They are the funds that we can spend on our charitable purposes. This definition excludes restricted income and endowment funds as these must be spent in a specific way. The tables overleaf show the movements in the balances of the restricted endowment reserve and the other restricted reserve. It also analyses the closing balances by purpose of use.

#### Restricted Endowment Reserves

Restricted Endowment Reserves are held as Current Asset Investments.

	2017 Actual £000	Permanent £000	Expendable £000	2018 Actual £000
<b>Balance at 1 August</b>	965	396	523	919
New Endowments	61	0	77	77
Expenditure	(107)	(143)	39	(104)
Total Endowment Comprehensive Income for the Year	(46)	(143)	116	(27)
<b>Balance at 31 July</b>	<b>919</b>	<b>253</b>	<b>639</b>	<b>892</b>
<b>Split of Endowment Reserves by Purpose</b>				
Scholarship Funds	124	27	111	138
Prize Funds	129	0	141	141
Other Funds	666	226	387	613
	<b>919</b>	<b>253</b>	<b>639</b>	<b>892</b>

#### Other Restricted Reserves

	2016 Actual £000	2017 Actual £000	2018 Actual £000
<b>Restricted Donations</b>			
Balance at 1 August	159	150	108
Income	24	47	28
Expenditure	(33)	(89)	(31)
Total Restricted Comprehensive Donation Income for the Year	(9)	(42)	(3)
<b>Balance at 31 July</b>	<b>150</b>	<b>108</b>	<b>105</b>
<b>Split of Restricted Donations by Purpose</b>			
Scholarships and Bursaries	5	(17)	0
Research Support	64	62	64
Prize Funds	23	22	6
General	58	41	35
	<b>150</b>	<b>108</b>	<b>105</b>

## Notes to the Financial Statements

### Note 7: Fixed Assets

#### a. Accounting policy for Fixed Assets

Fixed assets are stated on the Balance Sheet at cost less accumulated depreciation and accumulated impairment.

Land and buildings are stated at historic cost less accumulated depreciation. Freehold land is not depreciated. All other categories of fixed assets are held at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Component accounting has been adopted for buildings at the following rates:

Short Term (eg Finishes and Floors)	10 Years
Medium Term (eg Mechanical and Electrical, Cladding)	30 Years
Long Term (eg Sub and Support Structure)	50 years

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the costs of those assets.

Equipment, furniture and coherent packages of equipment costing £10,000 or more have been capitalised and depreciation charged on a straight-line basis over periods ranging from three to seven years, based on an assets expected useful economic life.

Depreciation methods, useful lives and residual values are reviewed at the date of Balance Sheet preparation.

Should any land and buildings financed by the Exchequer be sold, the University may be liable under the terms of the Financial Memorandum with the Scottish Funding Council, to repay the proceeds.

#### b. Fixed Assets reported on the Balance Sheet

£000s	Land	Buildings	Equipment	Total
<b>Cost</b>				
At 1 August 2017	2,125	41,715	5,383	49,223
Additions	0	3,424	922	4,346
Disposals	0	(2,385)	(1,066)	(3,451)
At 31 July 2018	2,125	42,754	5,239	50,118
<b>Accumulated Depreciation</b>				
At 1 August 2017	0	15,034	4,288	19,322
Charged	0	1,267	431	1,698
Eliminated in respect of disposals	0	(2,385)	(1,056)	(3,441)
At 31 July 2018	0	13,916	3,663	17,579
<b>Net Book Value</b>				
At 31 July 2018	2,125	28,838	1,576	32,539
At 31 July 2017	2,125	26,681	1,093	29,899
At 31 July 2016	2,125	24,155	847	27,127

The net book value has increased by 9% since 2017 and 20% since 2016 as a result of the acceleration of the capital investment plan, above and beyond the value of the annual depreciation charge.

#### c. Analysis of Fixed Asset Additions

£000s At Cost	2016 Actual		2017 Actual		2018 Actual		Capital Commitments	
	Buildings	Equipment	Buildings	Equipment	Buildings	Equipment	Buildings	Equipment
<b>Capital Projects</b>								
Food and Science Laboratories	370		3,224		52			
Library Refurbishment			822	21	2,523	516	696	173
Old College Heating			8		735		656	
North Elevation Cladding			212					
Preliminaries								
Other Estate Projects	188	73	285		23	88		
Capitalised Salaries			68		91			
<b>Equipment and Software Projects</b>								
Teaching and Research Equipment		58		487		32		
Dundee Academy of Sport	385	47						
ICT Equipment		99		107		141		
Information System Projects		241		201		146		
<b>Total Additions</b>	<b>943</b>	<b>517</b>	<b>4,619</b>	<b>816</b>	<b>3,425</b>	<b>922</b>		
<b>Capital Commitments (at 31 July)</b>	<b>2,903</b>		<b>1,851</b>		<b>1,352</b>	<b>173</b>		

Provision has not been made for the capital commitments shown above.

#### d. Analysis of Fixed Asset Disposals

£000s At Cost	2016 Actual		2017 Actual		2018 Actual	
	Buildings	Equipment	Buildings	Equipment	Buildings	Equipment
<b>Asset Sales</b>						
9 West Bell Street	978					
Hillside Flats	334					
Alloway Halls			2,579			
<b>Asset Replacement</b>						
Library					1,500	
Old College Heating					500	
<b>Other</b>						
ICT Equipment		591		461		900
SET Equipment						147
Other						19
Projects Not Progressed					385	
<b>Total Disposals</b>	<b>1,312</b>	<b>591</b>	<b>2,579</b>	<b>461</b>	<b>2,385</b>	<b>1,066</b>

## Notes to the Financial Statements

### Note 8: Trade and Other Receivables

#### a. Accounting policy

Receivables are the amounts owed to the University by debtors. Receivables include debtors not due (when an invoice is raised by the University but is not yet due for payment) and overdue debtors (when the due date has passed).

A prepayment is the settlement of a debt or instalment payment before its official due date.

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Tuition fees and grants (including Research Grants) from non-Government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in arrears is recognised as prepaid income within debtors on the balance sheet.

#### b. Trade and Other Receivables reported on the Balance Sheet

	2016 Actual £000	2017 Actual £000	2018 Actual £000
Trade Debtors	167	231	78
Student Debtors	55	22	14
Accrued Income	360	315	270
General (Individual items <£50k)	323	469	665
Tuition Fees Income	105	276	228
SFC Income	52	50	0
Research Project Income	408	285	354
Prepayments	888	1,080	1,247
<b>Trade and Other Receivables</b>	<b>1,470</b>	<b>1,648</b>	<b>1,609</b>

## Notes to the Financial Statements

### Note 9: Trade and Other Payables – amounts falling due within one year

#### a. Accounting policy

Payables are the amounts owed by the University to creditors, presented as a liability on the balance sheet. Income received in advance of performance conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Some tuition fee income has been deferred as at 31<sup>st</sup> July 2018. This relates to students registering in the February 2018 intake and paying their annual tuition fee: the income which relates to the period February to July 2018 has been reported as income in the Statement of Comprehensive Income and Expenditure. The income which relates to the period August 2018 to January 2019 has been deferred.

Some research project income has been deferred as at 31<sup>st</sup> July 2018. This occurs when funders pay in advance of when the University is entitled to the income and before performance related conditions have been met.

Under FRS102 we are required to accrue a financial value for holidays earned but not taken at the financial year end. This calculation is reviewed and adjusted, if required, annually.

#### b. Trade and Other Payables reported on the Balance Sheet

	2016 Actual £000	2017 Actual £000	2018 Actual £000
Trade Payables	188	120	189
Student Accounts	344	619	116
Salix Monies	173	167	167
Other	77	113	514
Other Payables	594	899	797
Taxes Payable including Cycle to Work	(5)	5	(2)
Holiday Pay Provision	871	871	527
Social Security and Other Taxation Payable	866	876	525
RUK Prepaid Fee Income	317	0	0
Research Project Income	2,447	1,715	1,389
Deferred Income	2,764	1,715	1,389
Tuition Fees	112	81	147
SFC	42	102	120
Severance	457	700	49
Contract Works/ Purchase Orders	496	480	25
Other	466	291	172
Accruals	1,573	1,654	513
<b>Trade and Other Payables : amounts falling due within one year</b>	<b>5,985</b>	<b>5,264</b>	<b>3,413</b>

Total Trade and Other Payables has fallen £2.6m between 2016 and 2018, and £1.9m between 2017 and 2018. This is driven by a change in the research funder mix (in the past we had a number of EU funded projects where the bulk of the contract value was paid in advance), the value of the year end severance provision (see note 5) and the timing of contract works.

## Notes to the Financial Statements

### Note 10: Creditors falling due after one year

#### a. Accounting policy

Grants (including Research Grants) from non-Government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

#### b. Loans falling due after one year

	2016 Actual £000	2017 Actual £000	2018 Actual £000
Loan From Scottish Funding Council	0	0	1,076

For the first time this year we are reporting a £1.1m creditor - a SFC funded loan.

The Scottish Government made £20m of financial transactions available to the SFC to support capital activity in the university sector. SFC determined that the best use of this would be to make interest-free loans available to accelerate institutional plans for carbon reduction.

The funding is part of the Council's Infrastructure Policy Framework, and should reduce the carbon footprint of the sector by 10-20%. Institutions were to draw down funds fully in 2018 and the SFC will recover the loans over a repayment schedule agreed with the institutions (to a maximum of 7 years).

Loan amounts were based on (competitive) proposals from institutions and based on actual costs associated with upgrading their campus buildings. The SFC prioritised proposals offering the best return on investment in terms of carbon reduction.

As well as reducing the sector's emissions and energy costs, ancillary benefits will flow from this programme including community benefits, stimulus to the green supply chain, and improvements to the energy performance of public buildings.

We were successful in being funded for two projects worth a total of £1.1m (solar PV and LED lighting), the expenditure for which will take place in 2019. Management will prepare for the next round of funding, the total pot for which is expected to be larger and not just limited to carbon reduction.

### Note 11: Lease Obligations

#### a. Accounting policy

Costs in respect of operating leases are charged on a straight line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

#### b. Rental commitments under non-cancellable operating leases expiring

	2016 Actual £000	2017 Actual £000	2018 Actual £000
Commitments under non cancellable operating leases expiring - Other:			
Within one year	13	22	8
Between two and five years	160	163	0
	<u>173</u>	<u>185</u>	<u>8</u>

## Notes to the Financial Statements

### Note 12: Pension Overview

#### a. Schemes

Staff are eligible to join one of three pension schemes:

- The Scottish Teachers' Superannuation Scheme (STSS – the default for academic staff).
- The local government pension scheme the Tayside Superannuation Fund (TSF – the default for support staff).
- The Universities Superannuation Scheme (USS - normally where staff have transferred from another institution).

We have taken the exemption permitted to disclose STSS (for academic staff) as a defined contribution scheme - STSS not being able to calculate individual employers' share of the overall deficit. The TSF (for support staff) is disclosed as a defined benefit. The USS scheme (for a small number of academic and administrative staff) is a defined contribution but with an agreed deficit recovery plan.

Pension figures presented in this report are only for the purposes of SORP accounting. In particular, they are not relevant for calculations undertaken for pension scheme funding purposes or for other statutory purposes under UK pension legislation.

#### b. Pensions as reported in the Statement of Comprehensive Income and Expenditure

During the year to 31 July the total cost of these pension arrangements for the University was £2,892k (2017 - £2,816k). This includes £0 (2017 - £0) of outstanding contributions at the balance sheet date.

	2016 £000	2017 £000	2018 £000
STSS	1,311	1,401	1,431
TSF	1,271	1,273	1,291
USS	117	142	170
<b>Total Pension Cost</b>	<u>2,699</u>	<u>2,816</u>	<u>2,892</u>

#### c. Pensions as reported on the Balance Sheet

	2017 £000	STSS Pension £000	USS Pension £000	TSF Pension £000	2018 £000
At 1 August	19,996	0	213	20,717	20,930
Additions in year	934	0	0	(17,103)	(17,103)
At 31 July	<u>20,930</u>	<u>0</u>	<u>213</u>	<u>3,614</u>	<u>3,827</u>

#### d. Further detailed notes

STSS – note 13.

TSF – note 14.

USS – note 15.



## Notes to the Financial Statements

### Note 13: Pension - Scottish Teachers' Superannuation Scheme

Pension costs for the STSS are accounted for as a defined contribution plan.

#### Accounting Policy

A defined contribution plan is a post-employment benefit plan under which the institution pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

STSS is a multi-employer scheme, for which contributions are charged directly to the income and expenditure account as if the scheme was a defined contribution scheme. Because of the mutual nature of the scheme, the schemes assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting year.

The latest actuarial valuation of the STSS received from the Scottish Public Pensions Agency (Formerly the Scottish Office Pensions Agency) was at 31 March 2012. Employer contribution rates are reviewed every 5 years and following the scheme valuation by the Government Actuary contribution rates from 1 April 2009 were set at 14.9%. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred and they reflect past experience of the scheme. The employers' contribution was 14.9% throughout the year. The employees' contribution varied between 6.4% and 11.2% throughout the year dependent on annual salary.

Because the University is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 102 the above scheme is accounted for as if it were a defined contribution scheme.

## Notes to the Financial Statements

### Note 14: Pension - Tayside Superannuation Fund

Pension costs for the TSF are accounted for as a defined benefit plan.

#### a. Accounting Policy

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on net assets set aside to fund the benefits will differ from expectation) are borne, in substance, by the University. The University should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Defined benefit pension schemes continue to record deficits relative to their forecast liabilities. In general, participating in a defined benefit pension scheme means that we are exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

We acknowledge the resultant volatility that this will bring to the balance sheet each year, but it does recognise the liability the University would have if the scheme ceased.

#### b. Actuarial Valuation

An actuarial valuation of the Tayside Pension Fund was carried out as at 31 March 2017. The purpose was to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2018 to 31 March 2021. Contributions are set to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future. The next valuation will be carried out as at 31 March 2020 and will set contributions for the period 2021-24.

#### c. Financial Assumptions

The TSF financial assumptions are set with reference to market conditions at 31st July of each year.

The financial assumptions used to calculate the results are as follows:

	2016	2017	2018
Discount Rate	2.6%	2.7%	2.7%
Pension Increases	2.2%	2.7%	2.4%
Salary Increases	3.2%	3.7%	3.4%
Retail Prices Index	3.1%	3.6%	3.4%
Consumer Prices Index	2.2%	2.7%	2.4%

#### Demographic / Statistical Assumptions –

The set of demographic assumptions adopted are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2017. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 130%. These base tables are then projected using the CMI 2016 Model, allowing for a long-term rate of improvement of 1.5% p.a. This is different to last year where the demographic assumptions were set in line with the valuation as at 31

March 2014. The post retirement mortality tables adopted were the S2PA tables with a multiplier of 120% and those base tables were then projected using the CMI 2013 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Life expectancy from age 65 (years)		2016	2017	2018
Retiring today	Males	21.3	21.5	20.3
	Females	23.3	23.5	22.3
Retiring in 20 years	Males	23.5	23.7	22.1
	Females	25.6	25.8	24.1

The estimated asset allocation in the scheme was:

	31 July 2016		31 July 2017		31 July 2018	
	£000	%	£000	%	£000	%
Equities	41,061	69.1	49,012	71.3	52,835	70.2
Gilts	3,136	5.3	4,611	6.7	4,031	5.4
Other Bonds	7,730	13.0	7,321	10.6	8,185	10.9
Property	6,830	11.5	6,962	10.1	8,939	11.9
Cash	673	1.1	863	1.3	1,233	1.6
Total	<u>59,430</u>	<u>100.0</u>	<u>68,769</u>	<u>100.0</u>	<u>75,223</u>	<u>100.0</u>

#### d. FRS 102 Combined Disclosures

##### Analysis of Amount Debited to the Statement of Comprehensive Income and Expenditure:

	2016	2017	2018
	£000	£000	£000
Service Cost	2,107	2,699	2,586
Net Interest on the Defined Liability/(Asset)	446	499	539
Administration Expenses	30	31	33
Total Pension Cost	<u>2,583</u>	<u>3,229</u>	<u>3,158</u>

##### Change in Actuarial Value of Scheme Liabilities:

	2016	2017	2018
	£000	£000	£000
Opening Defined Benefit Obligation	66,176	79,222	89,486
Current Service Cost	1,943	2,447	2,586
Interest Cost	2,492	2,047	2,398
Change in Financial Assumptions	9,755	6,811	(5,148)
Change in Demographic Assumptions	0	0	(4,789)
Experience Loss/(Gain) on Defined Benefit Obligation	2	10	(4,410)
Estimated Benefits Paid Net of Transfers In	(1,768)	(1,762)	(1,752)
Past Service Costs, Including Curtailments	164	252	0
Contributions by Scheme Participants and Other Employers	489	490	498
Unfunded Pension Payments	(31)	(31)	(32)
Actuarial Value of Scheme Liabilities at End of Year	<u>79,222</u>	<u>89,486</u>	<u>78,837</u>

##### Analysis of Amount Shown in the Balance Sheet:

	2016	2017	2018
	£000	£000	£000
Present Value of the Defined Benefit Obligation	(78,821)	(89,082)	(78,525)
Fair Value of Fund Assets (Bid Value)	59,430	68,769	75,223
Present Value of Unfunded Obligation	(401)	(404)	(312)
Defined Benefit Liability at End of Year	<u>(19,792)</u>	<u>(20,717)</u>	<u>(3,614)</u>

##### Reconciliation of Opening & Closing Balances of Fair Values of Fund Assets:

	2016	2017	2018
	£000	£000	£000
Opening Fair Value of Fund Assets	53,702	59,430	68,769
Interest on Assets	2,046	1,548	1,859
Return on Assets Less Interest	3,428	7,638	5,975
Other Actuarial gains/(losses)	0	0	(1,538)
Administration Expenses	(30)	(31)	(33)
Contributions by Employer Including Unfunded	1,594	1,487	1,477
Contributions by Scheme Participants and Other Employers	489	490	498
Estimated Benefits Paid Plus Unfunded Net of Transfers In	(1,799)	(1,793)	(1,784)
Closing Fair Value of Fund Assets	<u>59,430</u>	<u>68,769</u>	<u>75,223</u>

##### Re-measurements in Other Comprehensive Income:

	2016	2017	2018
	£000	£000	£000
Return on Fund Assets in Excess of Interest	3,428	7,638	5,975
Other Actuarial Gains/(Losses) on assets	0	0	(1,538)
Change in Financial Assumptions	(9,755)	(6,811)	5,148
Change in Demographic Assumptions	0	0	4,789
Experience Gain/(Loss) on Defined Benefit Obligation	(2)	(10)	4,410
Re-measurement of the Net Assets/(Defined Liability)	<u>(6,329)</u>	<u>817</u>	<u>18,784</u>

##### Sensitivity Analysis Current Financial Year:

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	77,199	78,837	80,510
Projected service cost	2,484	2,547	2,612
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	79,075	78,837	78,601
Projected service cost	2,548	2,547	2,546
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	80,276	78,837	77,429
Projected service cost	2,611	2,547	2,485
Adjustment to life expectancy	+1 year	None	-1 year
Present value of total obligation	81,683	78,837	76,092
Projected service cost	2,628	2,547	2,468

## Notes to the Financial Statements

### Note 15: Pension - Universities Superannuation Scheme

Pension costs for the USS are accounted for as a defined contribution plan.

#### a. Accounting Policy

A defined contribution plan is a post-employment benefit plan under which the institution pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

The USS scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6bn and the value of the Scheme's technical provisions was £46.9bn indicating a shortfall of £5.3bn. These figures will be revised once the 2017 Scheme Valuation is complete.

#### b. Financial Assumptions

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2016	2017	2018
Discount Rate	3.6%	2.57%	2.64%
Pensionable Salary Growth	n/a	n/a	n/a
Pension Increases (CPI)	2.2%	2.41%	2.02%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2017	2018
Mortality base table	<u>Pre-retirement:</u> 98% of SAPS S1NA "light" YOB unadjusted for males.	<u>Pre-retirement:</u> 71% of AMC00(duration 0) for males and 112% of AFC00(duration 0) for females.
	<u>Post retirement:</u> 99% of SAPS S1NA "light" YOB with a 1 year adjustment for females.	<u>Post retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2014 with a long term rate of 1.5% pa.	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% for females.

The current life expectancies on retirement at age 65 are:

	2016	2017	2018
Males currently aged 65 (years)	24.3	24.4	24.5
Females currently aged 65 (years)	26.5	26.6	26.0
Males currently aged 45 (years)	26.4	26.5	26.5
Females currently aged 45 (years)	28.8	29.0	27.8
	2016	2017	2018
Scheme Assets	£49.8bn	£60.0bn	£63.6bn
Total Scheme Liabilities	£58.3bn	£77.5bn	£72.0bn
FRS 102 Total Scheme Deficit	£8.5bn	£17.5bn	£8.4bn
FRS 102 Total Funding Level	85%	77%	88%

#### c. Pension Provision

The obligation to fund the USS arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision.



**UNAUDITED  
FUTURE  
FORECASTS**

## Statement of Comprehensive Income and Expenditure

Not subject to audit

£000s - For the year ended 31 July	Note	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2020 Projection	Variance 2018 v 2017	
<b>Income</b>								
Tuition Fees and Education Contracts	1	8,770	8,558	9,064	9,842	10,980	506	6%
Funding Body Grants	2	21,066	20,617	19,475	19,666	19,666	(1,142)	(6)%
Research Grants and Contracts	3	909	1,158	1,316	1,540	1,790	158	14%
Commercial Income		1,887	1,697	1,841	1,512	1,512	144	8%
Other Income		1,305	1,065	786	480	493	(279)	(26)%
Investment Income		337	404	489	380	380	85	21%
Donations	6	26	1,172	587	625	125	(585)	(50)%
<b>Total Income</b>		<b>34,300</b>	<b>34,671</b>	<b>33,558</b>	<b>34,045</b>	<b>34,946</b>	<b>(1,113)</b>	<b>(3)%</b>
<b>Expenditure</b>								
Staff Costs	5	22,518	23,963	23,492	24,722	24,743	471	2%
Other Operating Expenses		8,363	8,102	7,569	7,688	7,777	533	7%
Depreciation	7	1,703	1,661	1,698	2,583	2,997	(37)	(2)%
Interest and Pension Finance Costs		446	530	572	530	530	(42)	(8)%
<b>Total Expenditure</b>	6	<b>33,030</b>	<b>34,256</b>	<b>33,331</b>	<b>35,523</b>	<b>36,047</b>	<b>925</b>	<b>3%</b>
<b>Surplus/(Deficit) Before Other Gains/Losses</b>		<b>1,270</b>	<b>415</b>	<b>227</b>	<b>(1,478)</b>	<b>(1,101)</b>	<b>(188)</b>	<b>(45)%</b>
Gain/ (Loss) on Disposals of Fixed Assets		84	0	(10)				
Gain/ (Loss) on Disposals of Investments		394	945	156	300	300	(789)	(83)%
		478	945	146	300	300	(799)	(85)%
<b>Surplus Before Tax/for the Year</b>		<b>1,748</b>	<b>1,360</b>	<b>373</b>	<b>(1,178)</b>	<b>(801)</b>	<b>(987)</b>	<b>(73)%</b>
Actuarial Gain/ (Loss) in Respect of Pension Scheme		(6,329)	818	18,784	0	0		
Other Comprehensive Income/(Expenditure)		(18)	(29)	(115)	1	0		
		(6,347)	789	18,669	1	0		
<b>Total Comprehensive Income for the Year</b>		<b>(4,599)</b>	<b>2,149</b>	<b>19,042</b>	<b>(1,177)</b>	<b>(801)</b>		
<b>Represented by:</b>								
Restricted Comprehensive Income for the Year		(9)	(41)	(3)	0	0		
Unrestricted Comprehensive Income for the Year		(4,597)	2,236	19,072	(1,066)	(688)		
Endowment Comprehensive Income for the Year		7	(46)	(27)	(111)	(113)		
		<b>(4,599)</b>	<b>2,149</b>	<b>19,042</b>	<b>(1,177)</b>	<b>(801)</b>		

## Balance Sheet

Not subject to audit

£000s - at 31 July	Note	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2020 Projection	Variance 2018 v 2017	
								%
<b>Non-Current Assets</b>								
Fixed Assets	7	27,127	29,899	32,539	38,076	39,776	2,640	9%
Listed Investments		10,199	10,006	10,617	10,000	10,000	611	6%
		37,326	39,905	43,156	48,076	49,776	3,251	8%
<b>Current Assets</b>								
Stock		28	30	27	30	30	(3)	(10)%
Investments		6,021	6,001	1,076	3,442	2,042	(4,925)	(82)%
Trade and Other Receivables	8	1,470	1,648	1,609	1,647	1,647	(39)	(2)%
Cash		4,757	4,380	7,060	1,758	2,058	2,680	61%
		12,276	12,059	9,772	6,877	5,777	(2,287)	(19)%
Less: Trade and Other Payables: amounts falling due within one year	9	(5,985)	(5,264)	(3,413)	(5,495)	(5,495)	1,851	(35)%
<b>Net Current Assets</b>		<b>6,291</b>	<b>6,795</b>	<b>6,359</b>	<b>1,382</b>	<b>282</b>	<b>(436)</b>	<b>(6)%</b>
<b>Total Assets less current liabilities</b>		<b>43,617</b>	<b>46,700</b>	<b>49,515</b>	<b>49,458</b>	<b>50,058</b>	<b>2,815</b>	<b>6%</b>
<b>Creditors falling due after one year - SFC Loan</b>		<b>0</b>	<b>0</b>	<b>(1,076)</b>	<b>(1,076)</b>	<b>(1,076)</b>	<b>(1,076)</b>	
<b>Provisions</b>								
Pension Provisions	12	(19,996)	(20,930)	(3,827)	(4,747)	(6,148)	17,103	(82)%
Other Provisions		(200)	(200)	0	(200)	(200)	200	(100)%
		(20,196)	(21,130)	(3,827)	(4,947)	(6,348)	17,303	(82)%
<b>Total Net Assets</b>		<b>23,421</b>	<b>25,570</b>	<b>44,612</b>	<b>43,435</b>	<b>42,634</b>	<b>19,042</b>	<b>74%</b>
<b>Restricted Reserves</b>								
Endowment Reserve		966	919	892	911	911	(27)	(3)%
Other Restricted Reserves		150	108	105	103	103	(3)	(3)%
		1,116	1,027	997	1,014	1,014	(30)	(3)%
<b>Unrestricted Reserves</b>								
Income and Expenditure Reserve		22,305	24,543	43,615	42,421	41,620	19,072	78%
<b>Total Funds</b>		<b>23,421</b>	<b>25,570</b>	<b>44,612</b>	<b>43,435</b>	<b>42,634</b>	<b>19,042</b>	<b>74%</b>

