

2018/19

INTEGRATED REPORT

CONTENTS



Contents

Principal's Introduction	2
Operating Review	3-6
Finance Review	7-8
Responsibilities of Court	9-10
Corporate Governance Statement	11-19
Independent Auditors' Report	20-22
Financial Statements	
Introduction to the Financial Statements	23
Statement of Accounting Policies	24-25
Statement of Comprehensive Income and Expenditure	26
Balance Sheet	27
Cash Flow Statement	28
Statement of Changes in Reserves	29
Notes to the Financial Statements	30-48

INTRODUCTION



Principal's Introduction

Abertay 2018-19

In August 2019, we celebrated 25 years as a University, part of a longer history stretching back to our foundation as an educational institution in 1888.

2018-19 was another successful year, with:

- 4500 students from 62 countries studying at Abertay (with the majority from Scotland)
- a quarter of our undergraduate students coming from disadvantaged backgrounds, demonstrating our ongoing commitment to widening access to higher education.
- a third of our undergraduate students joining Abertay in year 2 or 3 of a degree, in almost all cases progressing from a Scottish college.
- 87% of students satisfied with the overall quality of their course in the most recent National Student Survey.
- 95% of graduates in employment or further study six months after graduating.

We were recognised as the Top University in Europe, and in the Top 20 in the world, for computer games (Princeton Review) for the fifth consecutive year.

We were successful in securing funding of £5.7m for the Innovation for Games and Media Enterprise (InGAME) project, from the AHRC Creative Industries Clusters programme and the Scottish Funding Council. This is led by Abertay, working in partnership with the University of Dundee and the University of St Andrews. This collaborative project has also attracted in-kind contributions valued at £1.6m.

We also received a provisional award of £11.7m over 15 years under the Tay Cities Deal to invest in the cyberQuarter, which will be a cluster of academic-commercial activity in the area of cyber security, providing a co-location space for academia and industry, expertise in applied research and access to a range of public sector support located within the Tay Cities region.

We launched our new Student Enterprise programme Bell Street Ventures.

We received accreditation as a Living Wage Employer.

2018-19 also saw some changes in our internal environment:

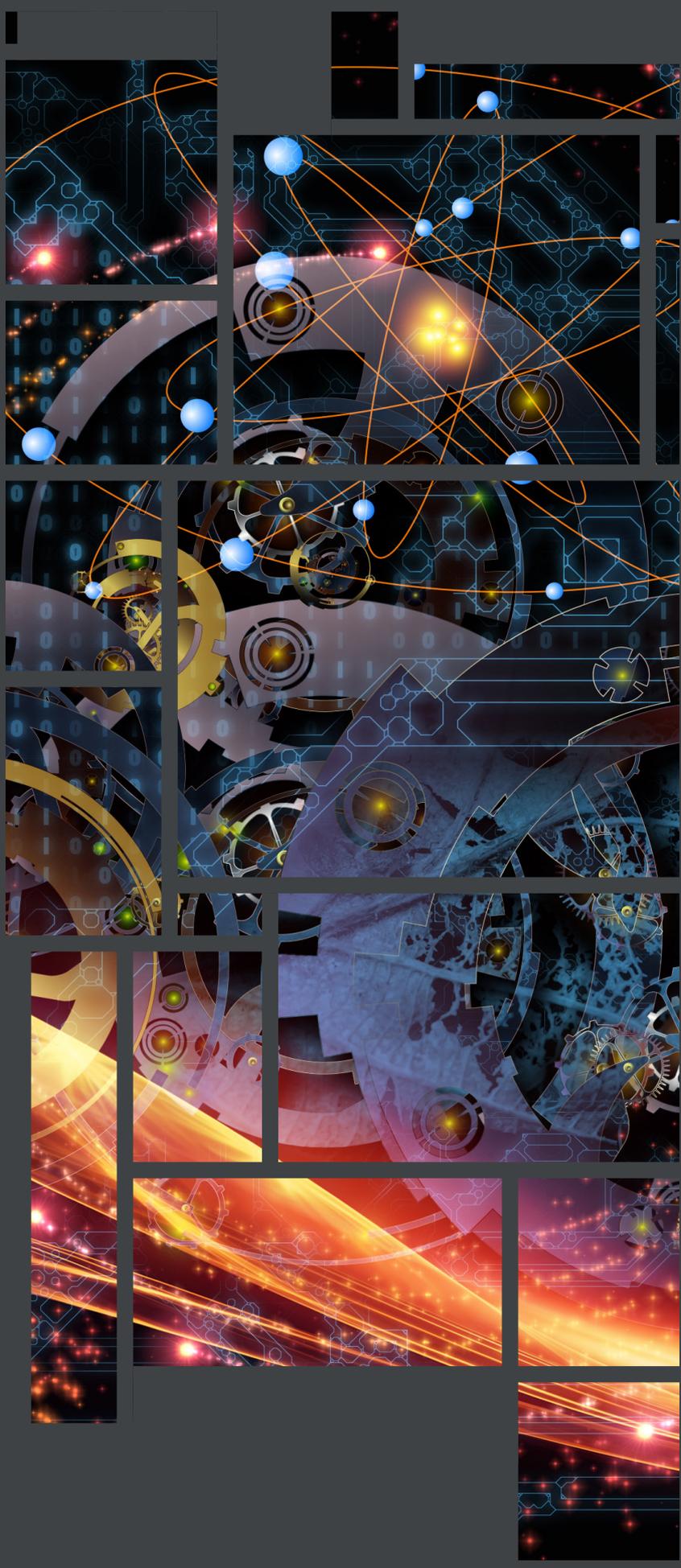
- A change in our academic structure from January 2019 moving to three academic schools plus the graduate school.
- The completion of a portfolio review in October 2018, which resulted in the decision to stop recruitment to 5 undergraduate and 3 postgraduate programmes with very low student intakes.
- Continued investment in the transformation of our campus estate, for example the completion of the Bernard King library refurbishment in 2018 and the transformation of the School of Design and Informatics spaces for students and staff during summer 2019.

2018-19 was another strong year for student recruitment, despite the challenging external environment. This means however that we have increased the number of students for whom we do not receive the full amount of SFC funding ('fees-only students') and, while this was a deliberate policy to mitigate the possible impact of post-Brexit changes in funding, we will from 2019-20 seek to reduce our intakes slightly to ensure our numbers and funding are sustainable.



Nigel Seaton
Principal and Vice-Chancellor

OPERATING REVIEW



Operating Review

Our strategic plan 2015-2020 confirms our purpose, focus and priorities and provides a guide for our activities and planning.

OUR PURPOSE

- To offer transformational opportunities to everyone who has the ability to benefit from Abertay's approach to university education.
- To inspire and enable our students, staff and graduates to achieve their full potential.
- To use our knowledge and expertise to have a positive impact on the world around us.

Strategic Plan 2015-20

We have a set of 21 key performance indicators to enable us to review progress against the main elements of the plan.

KPI	Target 2020 position	Current position		
Choosing our own path				
1	% students satisfied with the overall quality of their course [NSS]	89%	●	Significant improvement in 2019 survey.
2	% of staff who would say the University is a good place to work	89%	●	Survey takes place every two years. 2017 score showed improvement but remained below benchmark.
3	Annual operating surplus as % of total income.	3%	●	Future years will focus on EBITDA as a more reflective measure of sustainable cash generation.
21	Students eligible for SFC funding compared to SFC funded places	SFC places + 5%	●	Exceeded target in 2018-19 in response to increased demand from students and to mitigate against future changes in the funding of EU students.
4	league table position Guardian	3 rd quartile	●	Remain within target range but disappointing drop in our position this year.
Recognising and developing potential				
5	% of Scottish-domiciled undergraduate entrants from the 20% and 40% most deprived postcodes	35% SIMD40	●	Currently slightly below overall target. However, this indicator is based solely on postcode and should be considered together with KPI 20 which takes account of a wider range of measures of disadvantage.
20	% of Scottish-domiciled undergraduate entrants from disadvantaged backgrounds	16%	●	Slight increase in the number of entrants who met the criteria of our contextual admissions policy and were eligible to receive a contextual offer
6	% Scottish-domiciled entrants articulating with advanced standing	30%	●	On track. 29% of entrants articulating with full credit, another 5% articulating with partial credit.
7	% of undergraduate entrants still in higher education after one year	HESA benchmark	●	Remains below benchmark. Action to support the retention of students is a priority but improvement will take time to show in this indicator.
8	% of undergraduate students projected to receive a degree	HESA benchmark	●	Remains below benchmark. Action to support the retention of students is a priority but improvement will take time to show in this indicator.
Expanding horizons				
9	% of graduates in employment or further study (HESA PI)	HESA benchmark	●	Exceeds benchmark.
10	% of graduates in graduate-level employment (HESA data)	75%	●	Significant improvement in this measure but the 2020 target remains challenging.
11	Number of students taking up work experience opportunities		●	This indicator has been revised and now reports specifically on the number of students on formal work placements and the number of HEAR-verifiable work-related activities.
12	International students as % of student population	7%	●	Proportion of international students remains at same level as 2017-18 although headcount has increased. 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 in the overall growth in our student population.
13	Postgraduate taught students FTE	300 FTE	●	Small decrease compared to previous year. Expect improvement in 2019-20 but will fall short of 2020 target.
Working in partnership				

KPI	Target 2020 position	Current position	
14	Retention/completion rate for entrants articulating to Abertay at stages 2 and 3.	In line with overall retention rate.	●
15	Level of alumni engagement		●
16	Staff survey: % of staff who think communication in the university is effective	61%	●
Making our knowledge accessible			
17	Total research grant and contract income	+ 10% (£1,369,500)	●
18	Total income from knowledge exchange activity (as reported to SFC)	+ 10% (£1M)	●
19	Number of citations	4500	●

The plan provides a guide for our operational planning activities. Our immediate priorities for 2019-20 are to:

- Maintain our academic staff numbers at current levels, ensuring that staff resource is aligned with teaching and research requirements.
- Initiate an IT transformation programme during 2019-20 with the intention of reshaping the way the University uses technology.
- Explore the potential for greater integration of our student-facing services to offer an improved service to students.
- Review other ways to integrate and streamline our administrative processes.
- Explore options for more efficient use of our buildings.

During 2019-20 we will finalise our new Strategic Plan for 2020-25 and will develop a University-wide operational plan to support implementation of the strategy. We will also refresh our supporting strategies and, where appropriate, develop new ones, for example a new Digital Strategy to inform our development and deployment of digital technology – including artificial intelligence – to support the University’s mission.

The Scottish Funding Council’s funding allocation for Abertay for 2019-20 for teaching, research and innovation, announced in May 2019, was the same as for 2018-19, though this of course represents a decrease in real-terms funding. This is in line with the overall position of the Scottish higher education sector.

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. Therefore we integrate our consideration of risk into our operational planning processes.

Our strategic risk register is reviewed regularly by the Executive Group and considered at each meeting of the Audit and Risk Committee. The Strategic Risk Register describes the risks in detail, and sets out the controls and actions planned to mitigate each risk.

The status of risks as at end July 2019 is summarised below

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
We do not generate enough cash to be able to sustain the university's core operations on our current model of delivery or to invest in new activity to deliver the university's strategic priorities.				Principal
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
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

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 an in-depth equality, 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 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. In November 2018, we received the Athena SWAN bronze award for the second time and our School of Science, Engineering and Technology also received a bronze award.

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 education 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 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 all staff,

students and the wider University community. For example, we offer internal promotion workshops for academic staff, and all staff are required to undertake unconscious bias and diversity at work training. During 2017/18 we established our “lead voices” initiative, through which volunteer staff members and students act as general “advocates” or “lead voices” for particular protected characteristic groups. This provides a clear, structured approach to Equality and Diversity engagement with more visible routes for input, named volunteers who actively promote engagement across all protected characteristics; and increased visibility of Equality and Diversity activities and best practice guidance across the staff and student population.

More information about Equality and Diversity at Abertay can be found here:

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

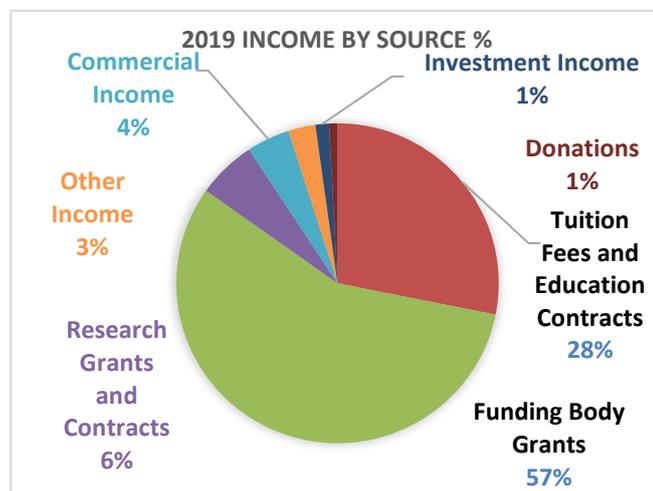
Finance Review

Results for the year show a reported loss of £6.5m, which includes adjustments in respect of USS and LGPS provisions of £6.3m resulting in an underlying deficit of £0.2m, in line with our expectations.

The underlying deficit includes depreciation charges of £2m, an increase from the previous year, due to our Capital Investment works, including the Bernard King Library improvements. Overall however, we have been cash generative for the year, thereby allowing us to continue our capital investment programme in future years.

Income Overview

	2018 Actual £000	2019 Actual £000
Income		
Tuition Fees and Education Contracts	9,064	9,782
Funding Body Grants	19,475	19,706
Research Grants and Contracts	1,316	2,061
Commercial Income	1,841	1,501
Other Income	786	949
Investment Income	816	474
Donations	587	291
Total Income	33,885	34,764

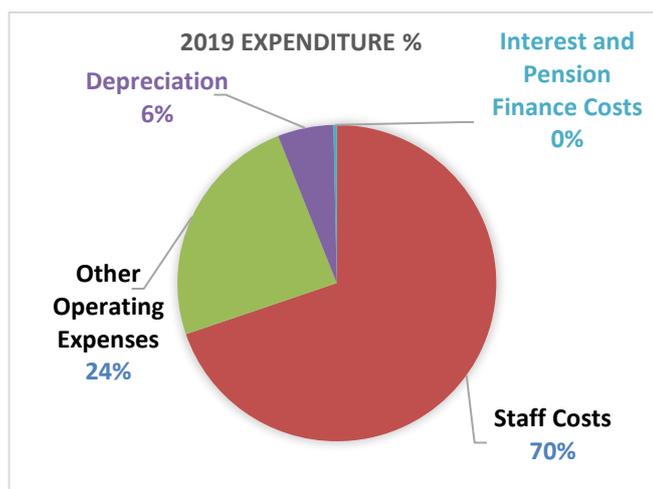


Total Income in 2019 is £34.8m up 2.6% on 2018, with variations in individual categories, but significant movements explained below.

- Funding Body Grants and Tuition Fees account for 86% of income (excluding donations).
- Tuition Fee income has increased by £718k primarily due to an increase in Home Undergraduate and Post Graduate Taught students.
- Research Grant Income varies year on year dependent on Grants awarded/finishing in year. In 2019 it has increased by £745k, most significantly because of a new award for InGame, with income of £523k recognised in the financial year.

Expenditure Overview

	2018 Actual £000	2019 Actual £000
Expenditure		
Staff Costs	23,492	25,971
Other Operating Expenses	7,896	9,025
Depreciation	1,698	2,107
Interest and Pension Finance Costs	572	127
Total Expenditure	33,658	37,230



Total Expenditure in 2019 of £37.2m is 11% up on the prior year, but has also varied in individual categories with significant variations detailed below.

- Staff Costs accounted for 70% of expenditure in 2019, consistent with 2018. Actual costs have increased £2.5m, with £750k in relation to restructuring, £600k in relation to actuarial adjusts, pay settlements and on-costs account for the balance. Our staffing complement has remained relatively steady.

- Other Operating Expenditure rose from 23% to 24% in the same period. Costs have increased £1.1m, this includes £230k in relation to an increased USS pension provision.
- Depreciation rose from 5% to 6% of total expenditure as Capital Expenditure projects including our Library redevelopment were completed/capitalised.

Balance Sheet

at 31 July	2018 Actual	2019 Actual	at 31 July	2018 Actual	2019 Actual
	£000	£000	Non Current Assets	43,156	47,893
Non Current Assets - Fixed Assets	32,539	37,069	Current Assets	9,772	6,863
Non Current Assets - Listed Investments	10,617	10,824	Net Current Assets	6,359	1,282
Current Assets other than Cash	2,712	1,758	Net Assets	<u>44,612</u>	<u>38,112</u>
Current Assets Cash	7,060	5,105			
Trade and Other Payables: amounts falling due within 1 yr	(3,413)	(5,581)			
Creditors falling due after one year - SFC Loan	(1,076)	(922)			
Pension Provisions	(3,827)	(10,141)			
Total Net Assets	44,612	38,112			
Restricted Reserves	997	1,061			
Unrestricted - Income and Expenditure Reserve	43,615	37,051			
Total Funds	44,612	38,112			

Significant movements in the Balance Sheet are explained below.

- Fixed Assets have increased £4.5m since 2018, as detailed in note 7. This represents £6.6m capital expenditure offset with £2.1m of depreciation.
- Financing the Capital Expenditure programme has resulted in a drop in our Cash reserves.
- Similarly, a capital invoice received but not paid before the year end has increased Trade and Other payables due within 1 year.
- Our Listed Investments are managed by UBS. These have maintained their value over the 2 years. As we do not expect to realise, sell or consume in our normal reporting cycle, we must report these assets as non current assets.

Other significant movements in the Balance sheet are Pension Reserve movements. These are shown in more detail in notes 12-15.

Financial Responsibilities of the University Court

In accordance with the Further and Higher Education (Scotland) Act 2005, Abertay University 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 that 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 Abertay University, the University Court, through its designated office holder, is required to prepare financial statements for each financial year that 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 outturns.
- 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

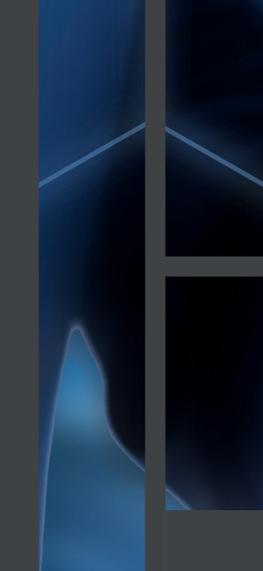
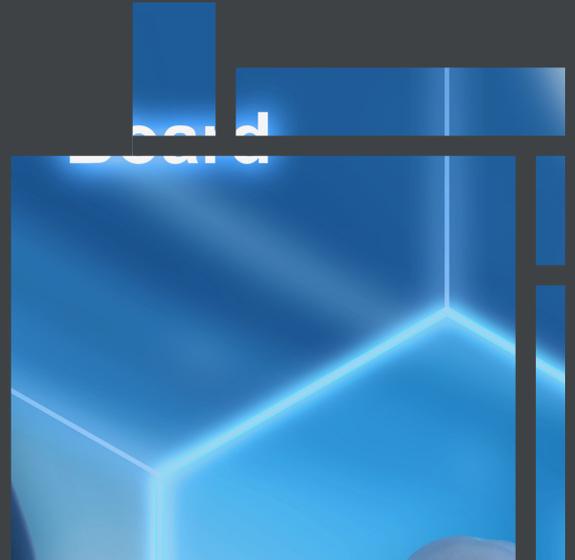
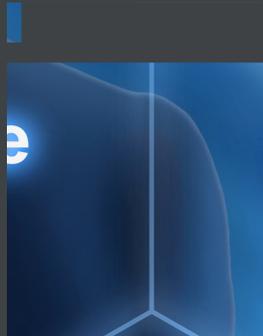
The University Court considers that the University has adequate resources to continue in operation for the foreseeable future.



Mr Murray Shaw
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 GOVERNANCE STATEMENT
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Corporate Governance Statement

Court is the governing body of Abertay University. The composition, functions and powers of the Court for the year ended 31 July 2019 were set out in the University of Abertay Dundee (Scotland) Order of Council 1994. From 1 September 2019 they are set out in the Abertay University (Scotland) Order of Council 2019 (see later section on 'Governance'). Under both the 1994 and the 2019 Orders, 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.

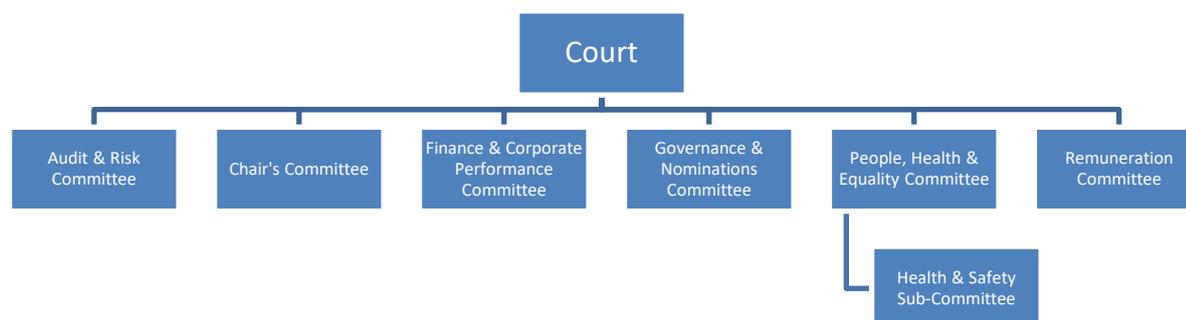
The University is committed to exhibiting good practice in all aspects of corporate governance. A revised Scottish Code of Good HE Governance was published in 2017. In the opinion of Court, the University complied with all of the principles and provisions of this Code through the year.

COURT - THE UNIVERSITY'S GOVERNING BODY

Court administration

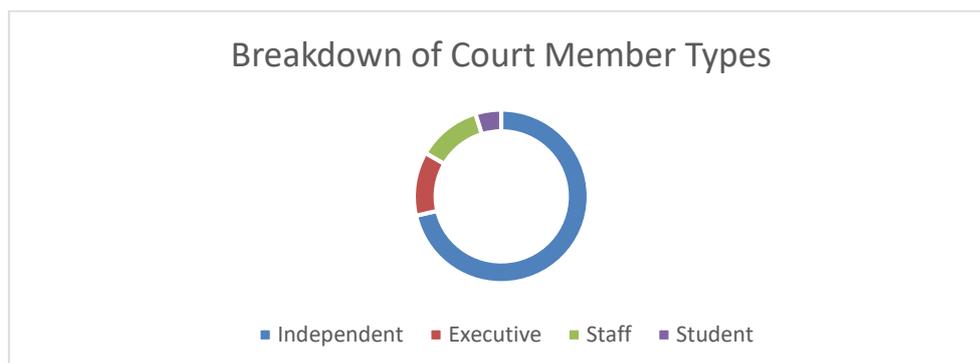
Court held five scheduled meetings during the year: in September, November, February, April and June. It also held an additional strategic day in September 2018 and 2019 where, with members of the University's senior management group, Court explored the development of the next strategic plan for the 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 as follows:



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 elected staff members (one from amongst academic staff, one from amongst support staff and one from Senate), with a maximum membership of 25 people.



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, interviewing applicants 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, the student member came to the end of his period of office and two staff members stood down (one who was leaving the University and one who came to the end of their period of office). Six independent (lay) members left Court (five through coming to the end of their period of office and one who resigned early from their position for personal reasons). Independent member positions were advertised, overseen by the Governance & Nominations Committee, to seek applications. As a result, and following interviews by the Committee, four new lay members were appointed with a wide range of experience from commercial and education backgrounds. Court was disappointed to note that there had been no female applicants for these positions and asked the Governance & Nominations Committee to review the approach to advertising in order to try to address this. One new staff member was elected to Court and one new Student President joined at the beginning of July 2019.

Court decided not to fill all of the lay member vacancies since, from 1 September 2019, there will be fewer lay member positions and more staff and student governor positions.

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 existing Chair - Eddie Frizzell CB – came to the end of his period of office and Murray Shaw took up the position, having been so appointed by Court.

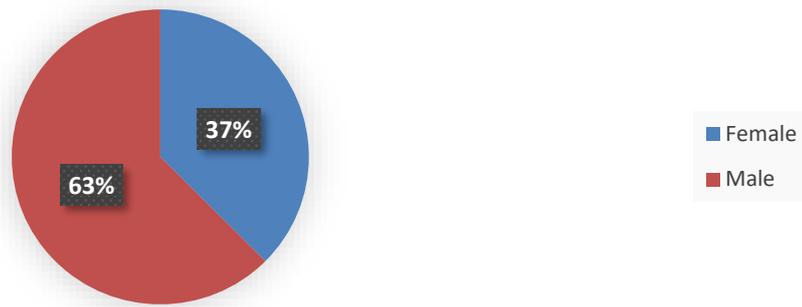
Vice-Chair of Court: an independent member who acts as Chair in the Chair's absence. The position was held by Professor Liz Wilson until the end of December 2018 and Court then appointed Shirley Scott to the role.

Court Intermediary: this 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.

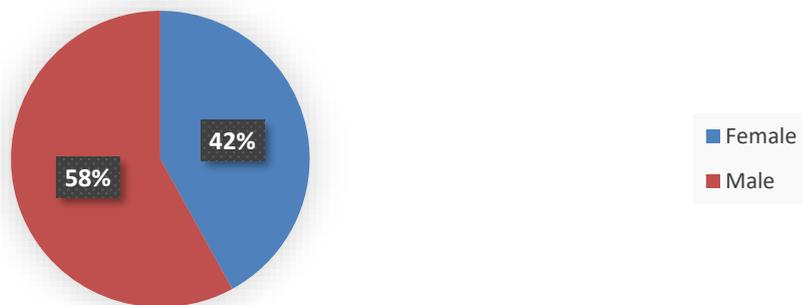
As at 1 September 2019, Court's aim of having a gender breakdown of at least 40% female/40% male amongst lay members had not been met, with a shift in balance (see figure 1 below) towards male lay members since last year when the balance was exactly 50%/50%. This means that at the current time Court has not achieved the gender representation objective of the '*Gender Representation on Public Boards (Scotland) Act 2018*' by having 50% non-executive/independent members who are women. As stated earlier, Court noted that there were no female applicants for the lay member positions and has agreed that it will revisit the approach to advertising.

Fig 1 Gender: independent Court members



The gender split for *all* Court members has also shifted towards more male Court members – from 56% last financial year to 58% this year (see figure 2 below).

Fig 2 Gender: all Court members



Periodic review of Court's 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 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. The report is also published on the University's main website.

Annual review of Court's effectiveness

All boards and governing bodies should regularly review their effectiveness, and the Scottish Code of Good HE Governance requires the courts of universities to do so annually, and, in that context, both to measure compliance with 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.

In addition, in session 2018/19, the internal audit programme of work included a review of corporate governance controls, which found a number of areas of good practice and made four low-level recommendations for enhancement (see also section below on the work of the Audit & Risk Committee).

Attendance at Court and Court committees

The table below shows the attendance of all members at meetings of Court and its main committees.

Court members' attendance at meetings of Court and Court Committees (to 31 July 2019):

	Court	Court Committees					
		Audit & Risk Committee	Finance & Corporate Performance Committee	Governance & Nominations Committee	Chair's Committee	Remuneration Committee	People, Health & Equality Committee
		5 meetings	3 meetings	4 meetings	4 meetings	4 meetings	2 meetings
Mr H Aitken CBE + *	1 (of 2)		0 (of 2)				
Professor Liz Bacon	5 (of 5)				4		
Mr A Bailey +	3 (of 5)		2 (of 3)				
Mr J Barnett +	5 (of 5)	3				1 (of 1)	
Mr M Batho	5 (of 5)		4		4		
Mr J Burt OBE +	4 (of 5)				4		3
Mrs L Baxter + **	1 (of 2)			0 (of 2)			
Dr Y Deeni	4 (of 5)						3
Mr E W Frizzell CB Chair + **	2 (of 2)			0 (of 2)	1 (of 1)	1 (of 1)	
Ms G Ghafoor +	4 (of 5)	3					
Mr M Grossi + **	1 (of 2)	0 (of 1)					
Dr M Hinfelaar + **	1 (of 2)		1 (of 2)				
Dr A Ingram +	4 (of 5)						1
Professor T Inns + ###	0 (of 1)	0 (of 1)					
Mr F Keir + ##	1 (of 1)	1 (of 1)					
Mr I Lowe ~	3 (of 3)			2 (of 2)			
Ms V Lynch +	5 (of 5)			2			
Mr G MacDougall +	4 (of 5)						0
Mr J MacGregor + ##	0 (of 1)		0 (of 1)				
Mr T Marks + ##	0 (of 1)		0 (of 1)				
Mr I McDonald +	4 (of 5)		4		2 (of 2)	1	
Mr C Rae **	2 (of 2)			2 (of 2)			
Dr J Rees +	4 (of 5)			0 (of 2)			3
Ms F Robertson +	4 (of 5)		3				
Mrs S Scott (Vice-Chair) +	4 (of 5)			4	4	1	
Professor N Seaton	5 (of 5)			4	4		
Mr M Shaw +	5 (of 5)		4	2 (of 2)	3 (of 3)	2	
Dr K Smith	5 (of 5)		4			2	
Professor E Wilson + **	2 (of 2)	0 (of 1)			1 (of 1)	0 (of 1)	
Mr T Wilson ~	5 (of 5)		3	3		0 (of 2)	
Mr O Wright #	0 (of 0)						
Aggregate attendance level (figures for year to 31 July 2018)	84% (78%)	70% (69%)	76% (78%)	68% (85%)	100% (85%)	73% (100%)	67% (81%)

+ Non-executive/lay member

* Until 4 February 2019

** To 31 December 2018

~ To 30 June 2019

From 1 July 2019

~ From 1 January 2019

From 18 April 2019

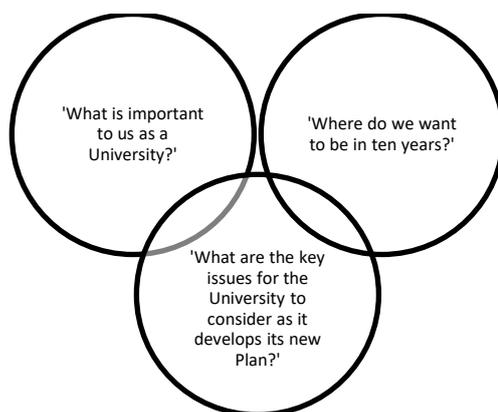
Induction and development

New members received an in-depth induction session provided by the Secretary to Court and were also invited to attend external development events including a one-day seminar for new governors in Scotland offered by Advance HE. Five members attended external events for new governors in 2018/19.

COURT AND ITS COMMITTEES: KEY ACTIVITIES DURING YEAR

Strategic development

Court regularly considers strategic development issues and it receives regular updates on the implementation of objectives. In light of the need to develop a new Strategic Plan for the period 2020-2025, Court held a workshop-style session at its first meeting of the session in September 2018 on '*refreshing our strategy and developing a new strategic plan: Court discussion with stimulus paper*'. This allowed all Court members, especially new members, the opportunity to contribute to the direction of travel for the University. In discussion groups, members were invited to consider the following questions:



This was followed up in November 2018 by a scenario-planning session for both Court members and the senior management group of the University, which then informed some further preparatory work on the new Strategic Plan that was considered by Court at its meetings in February and April 2019. A draft new Strategic Plan 2020-2025 was considered at a Court conference in September 2019.

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 2019/20. The Finance & Corporate Performance Committee is responsible, *inter alia*, for the development, implementation and review of the University's Strategic Plan and associated enabling strategies including operational plans; any significant financial deviation from such plans; the key performance indicators for the University as agreed by Court; the annual financial statements for each financial year; all proposals for the borrowing of money; the financial projections prepared for submission to the Scottish Funding Council; oversight of the management and application of all funds of the University ensuring they are handled within the Financial Regulations; oversight of the University's Financial Policies and Procedures; oversight of the management of all activities of the University as they relate to the estate and the University's estate strategy and to capital projects such as ICT infrastructure; and oversight of the financial affairs of the University of Abertay Dundee Students' Association.

Court, through the Finance & Corporate Performance Committee, also approved new capital projects including the transformation of the School of Design & Informatics by the development of parts of Level 1 and Level 3 of the University's Kydd Building to provide enhanced teaching and learning and staff accommodation respectively. The Finance & Corporate Performance Committee received reports on prior-year estates projects including the refurbishment of the Bernard King library and the Old College heating project. The Committee also received regular financial reports addressing the current financial position of the University including debt management, treasury management and reserves. The Committee also reviewed the investment mandate for the University's investment fund managers.

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. Revised employee policies on Flexible Working, on Redundancy Avoidance and on Development Discussions for staff (moving from performance review to developmental focus) were approved; and reports were reviewed on health, safety and welfare and on sickness absence, on exit interviews and on occupational health. In addition, Court approved a British Sign Language action plan for the University, a revised Student Mental Health Policy and the Public Sector Equality Duty equality mainstreaming report.

Court also, through the Committee above, had oversight of staff engagement with the development of the next Strategic Plan for the University. Court also received regular reports on employee relations and heard directly from one of the recognised staff unions in relation to planned staffing changes.

Governance

Court, through its Governance & Nominations Committee, continued with the significant activity in (a) implementing the requirements of the Higher Education Governance (Scotland) Act 2016 ('the Act'); and (b) implementing the final elements of the revised Scottish Code of Good HE Governance (*see box below*).

The Act requires a number of substantial changes to the governance of the University. For the year in question, the main work of this Committee was focussed on the development of the new Governing Order for the University and associated new rules for the nomination of members. The new Governing Order was developed by the Scottish Government's Legal Directorate in collaboration with the University and this was given approval from Court, the Privy Council, the Scottish Parliament (as a Scottish Statutory Instrument) and by the Office of the Scottish Charity Regulator and it came into force on 1 September 2019. The University took the opportunity to revise its legal name at the same time, in order to reflect the name under which we had been operating for about five years (i.e. 'Abertay University' instead of 'The University of Abertay Dundee'). Elections were held for new members of the revised Senate such that the requirement of there being a majority of elected members on that body would be in place by the start of session 2019/20.

In line with the Scottish Code of Good HE Governance, Court also held its first annual public stakeholder event.

A new Chair of Court, appointed in line with the University's Governing Order, took up the position from 1 January 2019.

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, and with the requirements of the Scottish Public Services Ombudsman.

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 range of good governance practice with which higher education institutions must 'comply or explain'.

In the opinion of Court, Abertay University complied with all of the principles and provisions of the 2017 Scottish Code of Good HE Governance through the year.

Remuneration

The Remuneration Committee, comprising only non-executive independent members plus a non-executive staff governor and a student governor, 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. The Principal of the University is not a member of the Remuneration Committee.

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, who all discussed this matter in private as a formal agenda item (without members of the Executive Group present) at one of the meetings of Court in the session. This informed the deliberations of the Remuneration Committee when it met subsequently and a detailed report was provided to Court thereafter.

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's annual confirmation of the effectiveness of internal control is informed by 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 committees in relation to matters of academic policy, regulation and development.

During the year, the Audit & Risk Committee:

- Approved the internal audit plan for the year and considered the reports arising from this plan, including a review of corporate governance as mentioned previously.
- Considered the annual integrated report and financial statements for the University for the year ending 31 July 2019.
- Considered a six-monthly update on risk management.
- Continued reviewing the relationship between it and the Finance & Corporate Performance Committee 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 and with no senior members of University staff present.

In the view of the internal auditors, based on the reviews undertaken during the period, and in the context of materiality:

- **The risk management activities and controls in the areas which they examined, except in the case of Health & Safety and Procurement, were found to be suitably designed to achieve the specific risk management, control, governance and value for money arrangements.**
- **Based on their verification reviews and sample testing, and with the exception of the Health & Safety and Procurement reviews, the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control, governance and value for money objectives were achieved for the period under review.**

Sustainability of the University

As mentioned above, Court monitors the overall financial and strategic sustainability of the University through an agreed set of key strategic risks and associated mitigation.

The primary purpose of risk management within the University is to maintain an effective framework for taking informed decisions about the risks that affect the University's ability to deliver its Strategic Plan. The Policy is intended to support and guide the University in maintaining a proper balance between business and financial risks and its desire to achieve its ambitions for the future. The Framework provides management and staff with a coherent approach to managing risks and taking advantage of opportunities at both the strategic and operational levels; and it provides Court with a tool for monitoring the University's overall sustainability through retaining the determination of risk appetite and setting the risk boundaries, when taken together with the agreed Key Performance Indicators. The strategic risks, provided in the strategic risk register above, are reviewed regularly by Court and include, for example, the following key risk and associated risk response plan:

- *We do not generate enough cash to be able to sustain the university's core operations on the current model of delivery or to invest in new activity to deliver the university's strategic priorities.*

Court: stakeholder engagement

During 2018/19, Court visited a number of areas of the University to meet staff and students, including the refurbished Bernard King Library and the sports areas of the School of Applied Sciences. Members of Court attended and/or participated in a range of events at the University including prize-giving events, public lectures, 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 University Secretary and the Director of Finance and Research Funding.

The University Secretary published a regular committee update on the University's intranet to share with staff and students a summary of the activities of Court, Senate and their committees. Nine members of staff of the University took up the open invitation to come and observe meetings of Court; and members of Court attended meetings of Senate as observers.

The University also held its first public stakeholder event. This was hosted by the Chair of Court and comprised a presentation from the Principal about developments at the University followed by an open question and answer session. More than fifty people from the University and the local community attended.

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.

GOING CONCERN

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

Signed by

A handwritten signature in blue ink, appearing to read 'Murray Shaw', with a horizontal line underneath it.

Mr Murray Shaw
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.

Independent Auditor's Report to the Court of Abertay University

Opinion

We have audited the financial statements of Abertay University ('the institution') for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Reserves 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 2019 and of the income and expenditure, recognised gains and losses, changes in reserves, and statement of cash flows 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 set out on pages 2 to 21, 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, based on the work undertaken in the course of the audit, 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 Operating 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 Responsibilities of Court Statement set out on page 9, 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 Abertay University, 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 Abertay University and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.



Statutory Auditor

Edinburgh

Date: 28 November 2019

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 Abertay University'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.

FINANCIAL STATEMENTS



472.56	785.00
516.35	254.05
358.56	652.23
524.36	254.95
921.35	231.44
754.85	742.25
658.21	85.24
452.65	568.96
472.56	785.00
516.35	254.05
358.56	652.23
524.36	254.95
921.35	231.44
754.85	742.25
658.21	85.24
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516.35	254.05
358.56	652.23
524.36	254.95
921.35	231.44
754.85	742.25
658.21	85.24
452.65	568.96

120.86	67.54
47.25	96.34
68.78	52.44
56.34	63.00
67.54	47.35
120.86	120.86
47.25	47.25
68.78	68.78
56.34	56.34
67.54	67.54
120.86	120.86
47.25	47.25
68.78	68.78
56.34	56.34
67.54	67.54
120.86	120.86
47.25	47.25
68.78	68.78
56.34	56.34
67.54	67.54

524.24	58.56
525.85	525.85
450.75	450.75
258.51	258.51
652.66	652.66
450.75	450.75
51	51

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.

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.

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 were none in 2019 or 2018.

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 Ltd, with whom the University purchased goods to the value of £74k (2018 £69k) and the Principal & Vice Chancellor served on the board of JISC collections, with whom the University purchased goods to the value of £110k (2018 £122k). Neither had a balance outstanding on 31/7/18 or 31/7/19.

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 closing value was £32k (2018 £29k).

9. Supplier payments

It is the University's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the University and its suppliers, providing that all trading terms and conditions have been complied with. Generally the University aims to pay all invoices to suppliers within 30 days of the date of the invoice. The University has no matters to disclose under the Late Payment of Commercial Debts (Interest) Act 1998.

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

Abertay University - Statement of Comprehensive Income and Expenditure (SOCI)

The SOCI is a statement of surplus / deficit and other comprehensive income for the financial year ended 31st 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	2018 Actual £000	2019 Actual £000
Income			
Tuition Fees and Education Contracts	1	9,064	9,782
Funding Body Grants	2	19,475	19,706
Research Grants and Contracts	3	1,316	2,061
Commercial Income		1,841	1,501
Other Income		786	949
Investment Income		816	474
Donations	6	587	291
Total Income		33,885	34,764
Expenditure			
Staff Costs	5	23,492	25,971
Other Operating Expenses		7,896	9,025
Depreciation	7	1,698	2,107
Interest and Pension Finance Costs		572	127
Total Expenditure	4	33,658	37,230
Surplus/(Deficit) Before Other Gains/Losses		227	(2,466)
Gain/ (Loss) on Disposals of Fixed Assets		(10)	0
Gain/ (Loss) on Disposals of Investments		156	118
		146	118
Surplus Before Tax/for the Year		373	(2,348)
Actuarial Gain/ (Loss) in Respect of Pension Scheme		18,784	(4,156)
Other Comprehensive Income/(Expenditure)		(115)	4
		18,669	(4,152)
Total Comprehensive Income for the Year		19,042	(6,500)
Represented by:			
Restricted Comprehensive Income for the Year		(3)	3
Unrestricted Comprehensive Income for the Year		19,072	(6,565)
Endowment Comprehensive Income for the Year		(27)	62
		19,042	(6,500)

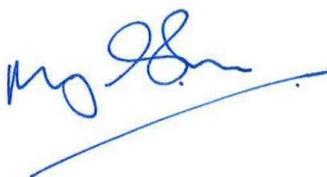
Abertay University - Statement of Financial Position (Balance Sheet)

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	2018 Actual £000	2019 Actual £000
Non-Current Assets			
Fixed Assets	7	32,539	37,069
Listed Investments		<u>10,617</u>	<u>10,824</u>
		43,156	47,893
Current Assets			
Stock		27	33
Investments		1,076	0
Trade and Other Receivables	8	1,609	1,725
Cash		<u>7,060</u>	<u>5,105</u>
		9,772	6,863
Less: Trade and Other Payables: amounts falling due within one year	9	<u>(3,413)</u>	<u>(5,581)</u>
Net Current Assets		6,359	1,282
Total Assets less current liabilities		49,515	49,175
Creditors falling due after one year - SFC Loan		(1,076)	(922)
Provisions			
Pension Provisions	12	<u>(3,827)</u>	<u>(10,141)</u>
		<u>(3,827)</u>	<u>(10,141)</u>
Total Net Assets		44,612	38,112
Restricted Reserves			
Endowment Reserve	6	892	953
Other Restricted Reserves	6	<u>105</u>	<u>108</u>
		997	1,061
Unrestricted Reserves			
Income and Expenditure Reserve		43,615	37,051
Total Funds		44,612	38,112

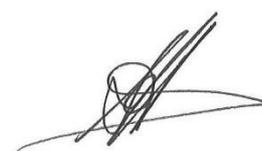
The financial statements on pages 24 to 48 were approved by Court on 13 November 2019 and were signed on its behalf on 22 November 2019 by:

The accompanying notes and policies on pages 30 to 48 form part of these financial statements.

N. A. Seaton 

Professor Nigel Seaton
Principal & Vice-Chancellor

Mr Murray Shaw
Chair, University Court



Mr Stephen Uphill
Interim Director of Finance

Abertay University - Cash Flow Statement

For the year ended 31 July	2018 Actual £000	2019 Actual £000
Cashflow from Operating Activities		
(Deficit)/Surplus for the Year	373	(2,348)
Other Comprehensive Income	18,669	(4,152)
	<u>19,042</u>	<u>(6,500)</u>
Adjustment for Non Cash Items		
Depreciation and Impairment Charges	1,698	2,107
(Increase)/Decrease in Stock	3	(3)
(Increase)/Decrease in Debtors	39	(116)
(Decrease) in Creditors	(1,851)	2,014
Increase in Pension Provision	(17,103)	6,314
(Decrease) in Other Provision	(200)	0
(Loss)/Gain on Disposal of Investments	156	118
Adjustment for Investing or Financing Activities		
Investment Income	(723)	(413)
Donation/ Endowment Income	11	(69)
Gain on Disposal of Fixed Assets	10	0
Interest Income	(93)	(59)
Capital Grant Income	(408)	(482)
Net Cash (Outflow)/Inflow from Operating Activities	<u>581</u>	<u>2,911</u>
Cashflows from Investing Activities		
Current and Non-Current Investment Income	723	413
Endowment Income	77	289
Endowment Expenditure	(104)	(228)
Restricted Donations	28	4
Restricted Reserves Expenditure	(31)	0
Fixed Asset Additions	(4,347)	(6,636)
Proceeds from Sale of Fixed Assets	0	0
Non-Current Investment Disposals/(Additions)	(235)	255
Income from Disposal of Current Asset Investments	(534)	(580)
Current Asset Investment (Additions)/Disposals	4,925	1,076
Capital Grant Receipts	427	482
Cash (Outflow)/Inflow from Returns on Investments and Servicing of Finance	<u>929</u>	<u>(4,925)</u>
Cashflows from Financing Activities		
Interest Income	93	59
New Loans	1,076	0
Cash Outflow from Capital Expenditure and Financial Investments	<u>1,169</u>	<u>59</u>
(Decrease)/Increase in Cash and Cash Equivalents in the Year	<u>2,680</u>	<u>(1,955)</u>
Cash and Cash Equivalents at Beginning of the Year	4,380	7,060
Cash and Cash Equivalents at End of the Year	7,060	5,105
(Decrease)/Increase in Cash and Cash Equivalents in the Year	<u>2,680</u>	<u>(1,955)</u>

Abertay University - Statement of Changes in Reserves

	Income and Expenditure Account			Total £000
	Endowment Reserves	Restricted Reserves	Unrestricted Reserves	
Balance at 1 August 2017	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
Balance at 31 July 2018	892	105	43,615	44,612

	Income and Expenditure Account			Total £000
	Endowment Reserves	Restricted Reserves	Unrestricted Reserves	
Balance at 1 August 2018	892	105	43,615	44,612
Surplus/(Deficit) from the Statement of Comprehensive Income and Expenditure	123	5	(7,115)	(6,987)
Other Comprehensive Income	(62)	(2)	551	487
Total Comprehensive Income for the year	61	3	(6,564)	(6,500)
Balance at 31 July 2019	953	108	37,051	38,112

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

	2018 Actual £000	2019 Actual £000
Scottish and EU Student Fees		
Undergraduate	5,710	6,125
Post Graduate Taught	1,079	1,309
Post Graduate Research	33	37
	<u>6,822</u>	<u>7,471</u>
RUK Student Fees		
Undergraduate	902	908
Post Graduate Taught	6	24
	<u>908</u>	<u>932</u>
Non EU (International) Fees	1,261	1,370
Other Fees	73	9
	<u>9,064</u>	<u>9,782</u>

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

	£000	£000
Full Time		
Scottish and EU Students	5,580	5,991
RUK Students	871	888
Non EU (International Students)	1,261	1,370
	<u>7,712</u>	<u>8,249</u>
Part Time	1,352	1,533
	<u>9,064</u>	<u>9,782</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.

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

	2018 Actual £000	2019 Actual £000
SFC Recurrent Grants		
Teaching Grant	16,278	16,487
Research Grant	1,305	1,457
Regional Coherence	859	874
	<u>18,442</u>	<u>18,818</u>
SFC Specific Grants		
Dundee Academy of Sport	286	40
Capital Maintenance	408	482
Articulation	(45)	0
Wider Access	311	293
Other	73	73
	<u>1,033</u>	<u>888</u>
Total Funding Body Grant Income	<u><u>19,475</u></u>	<u><u>19,706</u></u>

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.

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.

	2018 Actual £000	2019 Actual £000
Medical Research Council (MRC)	1	0
Natural Environmental Research Council (NERC)	109	131
Engineering and Physical Sciences Research Council (EPSRC)	96	60
Arts and Humanities Research Council (AHRC)	63	560
Other	3	0
Research Council Total	272	751
UK Charities	380	590
UK Government	401	288
UK Industry	28	118
EU	172	249
Other	63	65
Total Research Grant and Contract Income	1,316	2,061

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.

£000	2018 Actual	Academic Staff Costs	Other Staff Costs	Total Staff Costs	Other Operating Expenses	Depreciation	Interest and Other Finance Costs	2019 Actual
Academic Departments	12,724	11,240	892	12,132	983	280	0	13,395
Academic Services	4,272	51	2,573	2,624	1,569	156	0	4,349
Administration & Central Services	9,331	28	6,610	6,638	3,610	33	0	10,281
Premises	4,002	0	1,136	1,136	1,778	1,500	0	4,414
Residences & Catering Operations	767	0	259	259	240	138	0	637
Research Grants & Contracts	1,313	360	851	1,211	845	0	0	2,056
Pension Cost Adjustment	1,681	0	1,813	1,813	0	0	127	1,940
Other	(760)	0	158	158	0	0	0	158
	33,330	11,679	14,292	25,971	9,025	2,107	127	37,230
2018 Comparison		11,233	12,259	23,492	7,896	1,698	572	33,658

Other Operating Costs include:

External Auditors remuneration in respect of audit services £44k (2018 - £43k)

Internal Auditors remuneration in respect of audit services £44k (2018 £44k)

Operating Lease rentals £12k (2018 £14k)

Notes to the Financial Statements

Note 5: Staff Expenditure

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

	2018 Actual £000	2019 Actual £000
Staff Costs		
Wages and salaries	17,926	18,580
Social security costs	1,847	1,907
Employer Contribution - Pension Costs	2,892	2,941
Underlying Staff Expenditure	22,665	23,428
Severance Costs	(282)	730
Pension service costs	1,109	1,813
Total Staff Expenditure	23,492	25,971

Underlying staff expenditure adjusts the total staff expenditure for severance and pension service costs. Underlying staff costs in 2019 were £23.4m, up 3% driven by the 2.0% annual pay award (from August 2018).

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

b. Average staff numbers, expressed as FTE

Average salaried FTEs reduced to 462. The number of support staff fell to an average of 259 FTE (a continuation of the long-term trend). Academic FTEs increased to an average of 203, in line with the growth set out in our Operational Plan.

Average staff numbers by major category, expressed as FTE :

	2018 Actual	2019 Actual
Number FTE		
Academic Staff	201	203
Support Staff	263	259
	464	462

Academic Staff include Teaching Fellows, Lecturers, Professors and Researchers. Support Staff include Senior Managers including Deans 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.

	2018 Actual £000	2019 Actual £000
Key management personnel compensation	498	527

d. Emoluments of the Principal

	2018 Actual £000	2019 Actual £000
Salary	186	189
Employer's contribution to pension	33	27
	219	216

- 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 £43k) to Principal’s salary is 5.0 (2018 5.7).

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).

	2018 Actual	2019 Actual
Number FTE		
£100,001 - £110,000	1	0
£110,001 - £120,000	0	1
£130,001 - £140,000	1	1

In 2018 and 2019, 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 2018 and 2019, no Court member received remuneration or waived payments from the University. The total expenses paid to or on behalf of 8 Court members was £3k (2018 £3k). 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).

	2018 Actual £000	2019 Actual £000
Restricted Donations	4	4
Donations with no Restrictions	583	287
Total Income	587	291

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.

	2018 Actual £000	Permanent £000	Expendable £000	2019 Actual £000
Balance at 1 August	919	253	639	892
New Endowments	77	0	289	289
Expenditure	(104)	(111)	(117)	(228)
Total Endowment Comprehensive Income for the Year	(27)	(111)	172	61
Balance at 31 July	892	142	811	953
Split of Endowment Reserves by Purpose				
Scholarship Funds	138	27	289	316
Prize Funds	141	0	135	135
Other Funds	613	115	387	502
	892	142	811	953

Other Restricted Reserves

	2018 Actual £000	2019 Actual £000
Restricted Donations		
Balance at 1 August	108	105
Income	4	4
Expenditure	0	0
Total Restricted Comprehensive Donation Income for the Year	4	4
Balance at 31 July	105	108
Split of Restricted Donations by Purpose		
Scholarships and Bursaries	0	0
Research Support	64	66
Prize Funds	6	5
General	35	37
	105	108

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

	Freehold Land and Buildings	Equipment	2019 Total
	£000	£000	£000
Cost			
At 1 August 2018	44,879	5,239	50,118
Additions	5,362	1,275	6,637
Disposals	0	(71)	(71)
At 31 July 2019	50,241	6,443	56,684
Accumulated Depreciation			
At 1 August 2018	(13,916)	(3,663)	(17,579)
Additions	(1,432)	(675)	(2,107)
Eliminated in respect of disposals	0	71	71
At 31 July 2019	(15,348)	(4,267)	(19,615)
Net Book Value			
At 31 July 2019	34,893	2,176	37,069
At 31 July 2018	30,962	1,576	32,538

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

	2018 Actual £000	2019 Actual £000
Trade Debtors	78	303
Student Debtors	14	14
Accrued Income	270	225
General (Individual items <£50k)	665	751
Tuition Fees Income	228	32
SFC Income	0	41
Research Project Income	354	359
Prepayments	1,247	1,183
Trade and Other Receivables	1,609	1,725

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.

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

	2018 Actual £000	2019 Actual £000
Trade Payables	189	384
Student Accounts	116	570
Salix Monies	167	146
Other	514	143
Other Payables	797	859
Taxes Payable including Cycle to Work	(2)	0
Holiday Pay Provision	527	436
Social Security and Other Taxation Payable	525	436
Research Project Income	1,389	1,396
Deferred Income	1,389	1,396
Loans due within one year - SFC Loan	0	154
Tuition Fees	147	0
SFC	120	111
Severance	49	285
Contract Works/ Purchase Orders	25	1,451
Other	173	506
Accruals	513	2,352
Trade and Other Payables : amounts falling due within one year	3,413	5,581

Total Trade and Other Payables has increased £2.0m. This is driven by timing of Summer Contract Works, invoices received not payable until after 31 July.

Notes to the Financial Statements

Note 10: Loans

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 from Scottish Funding Council (Solar PV and LED Lighting, Carbon Reduction)

	2018 Actual £000	2019 Actual £000
Analysis of loans:		
Loans due within one year	0	154
Loans due after one year	1,076	922
	<u>1,076</u>	<u>1,076</u>

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

	2018 Actual £000	2019 Actual £000
Commitments under non cancellable operating leases expiring - Other:		
Within one year	8	13
Between two and five years	0	15
	<u>8</u>	<u>28</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 £2,941k (2018 - £2,892k). This includes £0 (2018 - £0) of outstanding contributions at the balance sheet date.

	2018 £000	2019 £000
STSS	1,431	1,464
TSF	1,291	1,365
USS	170	112
Total Pension Cost	<u>2,892</u>	<u>2,941</u>

c. Pensions as reported on the Balance Sheet

	31/07/2018 £000	STSS Pension £000	USS Pension £000	TSF Pension £000	31/07/2019 £000
At 1 August	20,930	0	213	3,614	3,827
Additions in year	(17,103)	0	229	6,085	6,314
At 31 July	<u>3,827</u>	<u>0</u>	<u>442</u>	<u>9,699</u>	<u>10,141</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 17.2% throughout the year. The employees' contribution varied between 7.2% and 11.9% 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:

	2018	2019
Discount Rate	2.7%	2.1%
Pension Increases	2.4%	2.4%
Salary Increases	3.4%	3.4%
Retail Prices Index	3.4%	3.4%
Consumer Prices Index	2.4%	2.4%

Demographic / Statistical Assumptions –

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 130%. These base tables are then projected using the CMI_2018 Model, allowing for a long-term rate of improvement of 1.5% p.a. Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection

has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2019. We have adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.5% p.a. At the last accounting date, the CMI_2015 Model was adopted.

Life expectancy from age 65 (years)		2018	2019
Retiring today	Males	20.3	19.7
	Females	22.3	21.6
Retiring in 20 years	Males	22.1	21.3
	Females	24.1	23.5

The estimated asset allocation in the scheme was:

	31 July 2018		31 July 2019	
	£000	%	£000	%
Equities	52,835	70.2	56,106	70.0
Gilts	4,031	5.4	3,809	4.7
Other Bonds	8,185	10.9	9,783	12.2
Property	8,939	11.9	9,063	11.3
Cash	1,233	1.6	1,479	1.8
Total	75,223	100.0	80,240	100.0

d. FRS 102 Combined Disclosures

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

	2018	2019
	£000	£000
Service Cost	2,586	3,132
Net Interest on the Defined Liability/(Asset)	539	81
Administration Expenses	33	35
Total Pension Cost	3,158	3,248

Change in Actuarial Value of Scheme Liabilities:

	2018	2019
	£000	£000
Opening Defined Benefit Obligation	89,486	78,837
Current Service Cost	2,586	2,503
Interest Cost	2,398	2,074
Change in Financial Assumptions	(5,148)	9,858
Change in Demographic Assumptions	(4,789)	(2,609)
Experience Loss/(Gain) on Defined Benefit Obligation	(4,410)	0
Estimated Benefits Paid Net of Transfers In	(1,752)	(1,821)
Past service costs, including curtailments	0	629
Contributions by Scheme Participants and Other Employers	498	500
Unfunded Pension Payments	(32)	(32)
Actuarial Value of Scheme Liabilities at End of Year	78,837	89,939

Analysis of Amount Shown in the Balance Sheet

	2018	2019
	£000	£000
Present Value of the Defined Benefit Obligation	(78,525)	(89,651)
Fair Value of Fund Assets (Bid Value)	75,223	80,240
Present Value of Unfunded Obligation	(312)	(288)
	<u>(3,614)</u>	<u>(9,699)</u>

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

	2018	2019
	£000	£000
Opening Fair Value of Fund Assets	68,769	75,223
Interest on Assets	1,859	1,993
Return on Assets Less Interest	5,975	3,093
Other Actuarial gains/(losses)	(1,538)	0
Administration Expenses	(33)	(35)
Contributions by Employer Including Unfunded	1,477	1,319
Contributions by Scheme Participants and Other Employers	498	500
Estimated Benefits Paid Plus Unfunded Net of Transfers In	(1,784)	(1,853)
	<u>75,223</u>	<u>80,240</u>

Re-measurements in Other Comprehensive Income:

	2018	2019
	£000	£000
Return on Fund Assets in Excess of Interest	5,975	3,093
Other Actuarial Gains/(Losses) on assets	(1,538)	0
Change in Financial Assumptions	5,148	(9,858)
Change in Demographic Assumptions	4,789	2,609
Experience Gain/(Loss) on Defined Benefit Obligation	4,410	0
	<u>18,784</u>	<u>(4,156)</u>

Sensitivity Analysis Current Financial Year:

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	88,061	89,939	91,859
Projected service cost	2,845	2,917	2,991
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	90,193	89,939	89,687
Projected service cost	2,918	2,917	2,916
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	91,598	89,939	88,316
Projected service cost	2,990	2,917	2,846
Adjustment to life expectancy	-1 year	-1 year	-1 year
Present value of total obligation	93,894	89,939	86,159
Projected service cost	3,027	2,917	2,811

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 institution participates in Universities Superannuation Scheme. The 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 recovery 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.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 is underway but not yet complete.

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

The 2017 valuation was the fourth valuation for the scheme 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

b. Financial Assumptions

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

	2018	2019
Discount Rate	2.64%	2.44%
Pensionable Salary Growth	n/a	n/a
Pension Increases (CPI)	2.02%	2.11%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on 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:

	2018	2019
Mortality base table	<u>Pre-retirement:</u> 71% of AMC00(duration 0) for males and 112% of AFC00(duration 0) for females. <u>Post retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) 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_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.	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	2018	2019
Males currently aged 65 (years)	24.5	24.6
Females currently aged 65 (years)	26.0	26.1
Males currently aged 45 (years)	26.5	26.6
Females currently aged 45 (years)	27.8	27.9

	2018	2019
Scheme Assets	£63.6bn	£60.0bn
Total Scheme Liabilities	£72.0bn	£67.5bn
FRS 102 Total Scheme Deficit	£8.4bn	£7.5bn
FRS 102 Total Funding Level	88%	89%

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.

2018/19

INTEGRATED REPORT