

University of Dundee

REPORTS & FINANCIAL STATEMENTS 2012/13



Reports and financial statements for the year ended 31 July 2013

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Principal's Report

The publication of our Annual Report is, by its very nature, normally a time to look back on the year which has just passed. However, this year I would also like to cast an eye towards the future, as that has been the focus of much of the work of myself and many others around the University.

We have crafted a new vision for the University that will shape our thinking and activity over the years to come. The strong theme which emerged as we engaged with staff across the institution was one of 'transformation' and it is this banner which will head our efforts to lay the foundations for a culture that will help us reach what we have established as our big goal – to become Scotland's leading university.

This is a deliberately audacious statement but when establishing a long-term goal such as this I believe it is entirely right to set our sights high. And I am encouraged by the response from across the University community - we have set out a vision for the future that staff and students feel inspired by and which they can help us deliver.

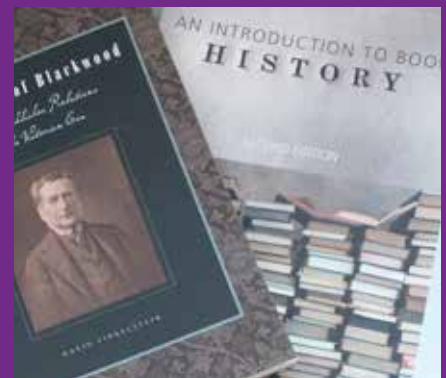
● Making an impact

In setting out our vision we started by identifying what the core purpose of this institution is. In considering everything we do, we came to a clear conclusion - the University's core purpose is to transform lives, locally and globally through the creation, sharing and application of knowledge. This can be achieved by ensuring our teaching, our research, and our engagement with wider society all carries a significant impact.

In support of this core purpose we have identified three broad areas – issues that really matter and where we believe that the University can make a concrete difference. They are:

- **Promoting the sustainable use of global resources**
How we feed, water and power the world are increasingly urgent questions. We are well placed to help find the answers, drawing on our expertise in disciplines from engineering to law. Our Graduate School is one of the world's leading centres for education in the natural resources sector, while we have newly established the Offshore Renewables Institute, looking particularly at wind power, which aims to bring this industry to fruition in the North Sea and beyond.
- **Shaping the future through innovative design**
Design is an integral part of all of our everyday lives and one of the most powerful drivers of business innovation. How it develops and the impact it has on society is an important part of what we do at Dundee, from architecture to life sciences.
- **Improving social, cultural and physical wellbeing**
We carry out a great deal of world class research into major and neglected disease areas and on the molecular mechanisms that cause many of them. But we are also driving the future of e-health, we have leading projects on how sports and exercise can help battle disease, and on equality and its impact on health and wellbeing, something that impacts on society around the world.

These are complex problems which can only be addressed by people from different backgrounds working together. Our themes aim to drive research at the interface of disciplines where new breakthroughs are likely to come from. There is also a great deal of interdisciplinary activity across these strands that offer exciting opportunities. If we can succeed in delivering in these areas then we will have a significant impact on lives in Dundee, across the UK and around the world.



● Building on excellence

Ours is a long-term project – it may take us 25 years to achieve our goal. But it is important to remember that we do not approach this from a standing start. In some respects Dundee can already claim to be Scotland's leading university. Eminence in research in biomedicine, art and design, civil engineering and history reflects a well-established insistence on excellence. In learning and teaching, our capacity to transform lives is supported by current students, who in 2012 voted us top in the UK for student experience in the annual survey compiled by Times Higher Education and again placed us in the top 10 for 2013. In the past two years we have established new record highs for grant capture from external funding sources, a reasonable achievement in these years of economic recession.

Equally, many challenges are also apparent. While we can show good examples of progress through working together, we have opportunities for further alignment of teaching and research. We can do more to attract, develop and keep the very best teachers and researchers. We must drive to be a preferred choice for applicants to all our programmes, reflecting excellence across the board. Once here, all students must be helped to progress academically and to absorb the attributes and experience which will help them find their place in the world.

These, I believe, are all issues which can be addressed with determination by maintaining our focus on excellence.

● Local, national, international

Of course we do not exist in a vacuum. Much of our work goes hand-in-hand with that of those around us.

Locally, we have built the key 'critical mass' that has enabled Dundee to establish itself as an internationally renowned hub for biosciences and biotechnology, bringing millions of pounds in research funding to the local economy and helping attract brilliant scientists from across the globe.

This has a wider impact for Scotland and the UK, supporting the establishment of new ventures and bringing investment from major companies. The direct effects of this could be seen this year when the University played a central role in attracting the European Lead Factory to Scotland, a major international collaboration that will bring considerable economic benefits to the country and further strengthens the life sciences base.

Now, as Principal, I find myself involved with our efforts to create a similar effect in areas such as the creative industries and renewable energy, both areas which have been identified as vital to the economic future of Dundee and the east of Scotland. The idea to bring the V&A to Dundee originated in the University and we continue to support this highly ambitious project. It will stand as a symbol of the redeveloped waterfront and of Dundee's burgeoning creative sector, which encompasses everything from one of the UK's leading art colleges - our own Duncan of Jordanstone College of Art & Design - and Dundee Rep to computer games companies and a growing band of successful young designers.



I have already mentioned the Offshore Renewables Institute, which will help the fledgling industry in wind power off Scotland's shores become a major sector in the not-too distant future.

Further afield we are engaged in major projects such as our collaboration with the Dasman Diabetes Institute in Kuwait, using Dundee's expertise in diabetes to tackle chronic health problems in the Middle East.

Our graduates increasingly have a global perspective – more than a quarter of the students studying with us are from outside the UK. They rate us very highly, placing us among the top institutions in the International Student Barometer which measures satisfaction at universities around the world. They will carry word of Dundee's reputation around the world.

This is just a taste of how we are engaged locally, nationally, and internationally, making an impact at home and abroad, through teaching, research and engaging with society.

● Transforming lives

The Vision and the underlying strategy give us clear and ambitious goals to focus on. It is about establishing and strengthening a culture of excellence that runs through everything we do. This Annual Report captures a snapshot of the University at a very interesting time. We face undoubted challenges, both as an institution and across the higher education sector, but there are also tantalising opportunities.

The challenge now is to make sure we seize those opportunities and live up to the standard of excellence that we have set. We have what I consider to be a very good University. If we realise our vision we will become a great University, helping transform lives here in Dundee and around the world.





U. Main Library



U. Main Library



Operating and Financial Review

● Scope of the Financial Statements

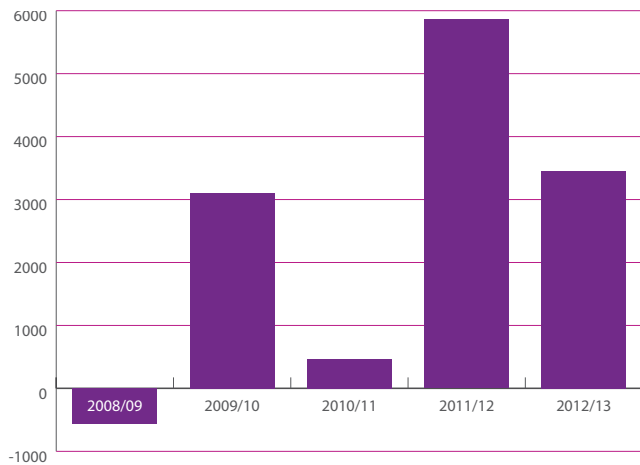
The financial statements, presented to the University Court, have been prepared on a consolidated basis and include the results of the University of Dundee and its subsidiary companies. Details of the Group are listed within note 32 of the financial report.

● Results for the Year

The financial results for the year were satisfactory with a surplus for the year of £3.5m. The decline from the previous year was the result of an increase in income offset by the cost of a number of new academic posts which form part of the investment in the future development of the University. 2011/12 also included a non-recurring exchange gain of £1.6m. The surplus of £3.5m represents 1.5% of total income compared to the target contained in the University's strategy to 2017 of achieving a financial surplus of 6% of income. The required improvement in future years will come both from developing sources of unregulated income and focussing on the efficient delivery of all the Universities main activities.

● Fig. 1	2012/13 £m	2011/12 £m
Total income	226.6	223.3
Total expenditure	(223.4)	(217.2)
Operating surplus	3.2	6.1
Profit on disposal of fixed assets		0.9
Other items	0.3	0.2
Surplus for the year	3.5	7.2

● Fig. 2 Surplus before exceptional items (£'000)



● Income

Total income for the year grew by 1.5% to stand at £226.6m. Income from the Scottish Funding Council (SFC) increased by £2.6m in total with the recurrent teaching grant increasing by £3.0m despite the withdrawal of SFC funding for students from the rest of the UK (RUK).

Income from tuition fees and education contracts increased by £2.3m to £40.1m. Of this £1.8m was attributable to RUK students paying tuition fees for the first time.

Total income from research grants and contracts increased by £1.6m to £68.4m recovering some of the decline which was experienced in 2011/12. 2012/13 was another record year for grants being awarded to the University and this is expected to underpin further growth in research income in future years. While grants from research councils and UK charities remain strong, grants from EU funded bodies have shown significant growth over the past few years and this is expected to be an area of particular growth in the future with the launch in 2014 of Horizon 2020, the EU framework programme for research and innovation.

● Fig. 3 Research income (£'000)



Although the University has a number of properties for sale there were no disposals during the year.



● Expenditure

Total expenditure increased by £6.2m to £223.4m. The main increase was in other operating expenses which increased by £6.6m. Of this £2.8m related to additional expenditure on research which is linked to the increase in research income and a further £1.4m to the cost of running the University's physical infrastructure. This cost is expected to increase further as new research facilities are brought into use and the cost of energy continues to rise. To offset the increasing cost of energy the University will be investing in a fourth combined heat and power (CHP) engine during 2013/14.

The depreciation charge fell by £2.3m to £14.0m. Much of this change related to short-life research equipment which is depreciated over the life of the contract from which it is funded.

The results for the year include the University's share of the results of Dundee Student Villages (DSV) which is accounted for as an associated company. DSV is a special purpose vehicle which was established to build and operate the University's student residences. In line with the original financial model accounting losses are expected in the first years of operation. DSV continues to perform ahead of its funding requirements due to higher levels of occupancy and a reduced requirement for maintenance expenditure. The market for student residences in Dundee remains very competitive and DSV has responded by holding rentals at previous years' levels for 2013/14 while also investing in broadband throughout the estate.

● Capital Expenditure

Additions to fixed assets during the year amounted to £21.8m of which £13.2m was funded by capital grants with the balance funded by the University. In July 2012 work started on the new Centre for Translational and Interdisciplinary Research, a £12.5m development centred on the College of Life Sciences. This is due to be completed early in 2014 and will provide over 3,000m² of state of the art research space. During the year new facilities were created in the library on the main campus creating a further 350 study spaces bringing the total to 1,500, all with improved IT provision. The medical school library at Ninewells was also extended and refurbished.

The Ninewells Cancer Campaign was set up in 1990 and in that time has raised over £19 million for cancer work at Ninewells Hospital. Since 2011 it has raised over £1.3 million with a Special Appeal for the Jacqui Wood Cancer Centre which was opened by Professor Sir David Lane in May 2013.

● Treasury and Investments

Cash and short term investments increased during the year by £7.6m to stand at £40.2m at the year end. The University's strong cash position continues to be supported by research grants and other income being received in advance of the work being undertaken. Surplus funds are deposited for periods of up to 12 months with financial institutions which meet criteria specified within the University's treasury policy. This policy is reviewed annually by the Finance and Policy Committee.

At the year end balances of EUR 15.9m were held within cash and short term deposits to provide a hedge against research funding, denominated in EUR, received in advance.

The University has in place a revolving credit facility of up to £34.0m. The nature of the facility allows the University to borrow only to the extent necessary to meet cash requirements. This facility expires in 2016.

The University also has a loan facility of £8.5m which was used to fund the construction of a research facility. At the end of the year the loan was fully drawn. It is repayable in 2014.

The value of endowments increased by £2.2m during the year mainly due to an increase in the market value of the endowment assets. These continue to be managed by independent fund managers whose performance is monitored by the University's Finance and Policy Committee.

● Supplier Payments

The University supports the Prompt Payment Code in its relationships with suppliers. It is the University's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the University and its suppliers, provided that all trading terms and conditions have been complied with. At 31st July 2013 the University had an average of 39 days' purchases outstanding in trade creditors. Interest paid under the Late Payments of Commercial Debts (Interest) Act 1998 was £nil.

● Pensions

The main pension schemes of the Group are the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation Scheme (UODS). A detailed statement of these schemes is shown in note 31 of the financial report, which has been prepared in accordance with FRS 17.

Following the triennial valuation of UODS undertaken as at 1 August 2011, the University's normal pension contributions remain at 22.1% of pensionable earnings. This level of contribution (including cost of death in service) has been fixed to recover the deficit in the pension fund, identified in the valuation, over a period of 8 years.

The University's pension contribution rate to USS continues to be 16%.

Total pension costs for the year fell by £0.1m to £14.3m. On 1st May 2013 the University introduced automatic enrolment into the pension schemes for new employees and for other employees who had not previously joined a pension scheme.





● Equality and Diversity

The University is committed to ensuring that in the exercise of its activities and functions it complies with the Equality Duty as introduced by the Equality Act 2010. The Equality Duty requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and any other prohibited conduct
- advance equality of opportunity between people from different groups; and
- foster good relations between people from different groups

The University ensures that its policies and practices are appropriate and accessible to all and meet the diverse needs of all members of the University community. In addition to development of the policies and procedures, implementation and awareness raising is carried out to promote and reinforce the positive message of equality and diversity.

Equality and diversity training is mandatory for all staff with academic staff undertaking five online modules and support staff undertaking four. These modules cover diversity in the workplace, disability, diversity in learning and teaching, stress for managers and stress in the workplace. Further training is given to relevant staff involved in recruitment and selection and an equality impact assessment online toolkit is available to enable staff to undertake equality impact assessments.

In addition to the mandatory online modules, all staff have the opportunity to attend a range of equality and diversity training sessions offered each year by the University's Disability Services, Organisational and Professional Development (OPD) and InspirEd

programmes. This includes specific training on supporting students and staff with a range of disabilities and training on the provision of an inclusive learning and working environment. The University is also committed to providing students with an appropriate training programme which would develop, enhance and raise their understanding of equality and diversity issues. An online training module is planned to be rolled out to students during Academic Year 2013/14.

As part of the University's commitment to advancing equality of opportunity, the University has established a number of formal staff networks. These networks exist to allow staff who identify with those particular groups to meet, network and discuss issues that matter to them. Staff networks allow mutual support, raise awareness of equality issues and form an important part of the consultative process across a wide range of workplace issues which help shape the University's equality and diversity policies and contribute towards helping the University create a positive environment. The University has established three staff networks to date:

- Gender Equality Network
- Black and Minority Staff Network
- Lesbian, Gay, Bisexual and Transgender Network

The Chairs of these staff networks are represented on the University's Equality and Diversity Working Group where they formally report on issues of interest or concern.

The University of Dundee became an Athena SWAN Charter member in January 2012. The Athena SWAN Charter recognises commitment to advancing women's careers in science, technology, engineering, maths and medicine (STEMM) employment in higher education.

The University formed its Athena SWAN Steering Group in 2012 to oversee, develop and embed the six principles of the Charter in the University culture. The University submitted an application for an Athena SWAN bronze award at the University level in November 2013 and it is anticipated that some Schools within the University will also make applications at the department level in April 2014. The Athena SWAN approach will also provide the University an opportunity to extend the principles of inclusiveness across all equality groups in the institution.

● Principal risks and uncertainties

The identification and management of risks is firmly embedded within the University's structure and processes. The Institutional Risk Register and the effectiveness of activities designed to mitigate the risks identified in the register are formally reviewed by the Senior Management Team and the Audit Committee as well as being discussed at Court.

Damage to the University's reputation is one of the main risks identified. The University's new strategy, aimed at making the University of Dundee Scotland's leading university, is designed to ensure that the University's reputation is not only maintained but enhanced in key areas.

The University has a particularly strong reputation in research and, for a University of its size, has significant research income. To ensure that the risk of losing this income is minimised the strategy is to increase the proportion of research which is either internationally excellent or world leading. In addition greater diversification of sources of research funding is being sought by increasing industrial collaborations and EU funded projects. In the last two years the University has been awarded record amounts of new grant funding which will underpin research income in 2013/14 and beyond.

Following the increase of student fees to a maximum of £9,000 in England in 2012 and changes to caps on student numbers, the higher education sector across the UK has become significantly more competitive in recruiting undergraduate students. The number of RUK students choosing to study at Dundee can have a significant impact on the University's income. To reduce the risk of losing income due to lower student numbers student recruitment activities have to look both at recruiting the appropriate number of Scottish students with a particular focus on

increasing the number of students from households in areas of multiple deprivations, while also looking to develop the number of RUK student who wish to come to Dundee.

Recruiting, developing and retaining staff with the appropriate skills and knowledge is vital if the University is to achieve its long term goals. There is therefore a comprehensive framework in place for objective setting and performance review for all staff as well as a structured probationary process for new academic staff.

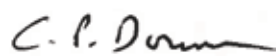
Staff costs are the most significant costs borne by the University. In order to ensure we offer remuneration which is consistent with the rest of the higher education sector we participate in national pay negotiations as a member of the Universities and Colleges Employers Association (UCEA). All staff are able to join a defined benefit pension scheme. In line with many similar schemes the cost of providing this benefit has risen significantly in recent years due to historically low interest rates and increasing longevity. Recent changes to the benefit structures of these schemes have helped to moderate these cost increases.

● Financial Strategy to 2017

A new vision for the University was launched at the end of 2012 together with a new five year strategy to 2017. The main financial element of this strategy is to achieve a financial surplus each year of 6% to provide sufficient funds to invest in all aspects of the University whilst also maintaining the existing infrastructure. The current financial performance is some way below this target and efforts continue to develop sources of income and to improve the efficiency of activities across the University.



Eric F Sanderson
Chairman of Court



Professor C Peter Downes OBE FRSE
Principal and Vice-Chancellor

Corporate Governance

This report covers the period from 1 August 2012 to 9 December 2013.

The University endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to universities from the Committee of University Chairs in its *Guide for Members of Higher Education Governing Bodies in the UK (2009)*. The University's governance framework and processes follow the principles of the Financial Reporting Council's *UK Corporate Governance Code (2010)* ['UK code'], insofar as they apply to the University sector, and the Turnbull committee guidance.

The Scottish Code of Good Higher Education Governance was published in July 2013 and the University of Dundee is already compliant to a large extent with its main principles. The University will be reviewing its compliance with these principles during the current academic session and expects to be able to confirm full compliance with the Scottish Code in its statements for 2013/14.

The University is an independent corporation and a registered Scottish charity (SC015096). Its legal status derives from a Royal Charter originally granted in 1967 and its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, as amended from time to time with the approval of the Privy Council. The objects, as set out in the Charter, are to advance and diffuse knowledge, wisdom and understanding by teaching and research and by the example and influence of the University's corporate life. In exercising these objects, the University, through its research and knowledge exchange activity and through its provision of teaching, sets out to transform the lives of its students and of wider society.

It does this locally, nationally and globally by contributing to the development of an educated workforce and by making real change to society through its innovative research.

The Charter and Statutes require the University to have two separate bodies to oversee and manage its activities, as follows:

- (a) **Court** is the governing body, responsible for the finance, property, investments, employment of staff and general business of the University, and for setting the general strategic direction of the institution. The statement of Primary Responsibilities adopted by the Court can be found at

www.dundee.ac.uk/academic/court/statementofpr.htm.

It has a total membership of 23, with a majority of lay members from outside the University. Members also include representatives of the staff of the University and the student body. The Chairperson of Court is elected by the full membership of Court, and candidates for election may only be drawn from among the lay members. The Court does not identify formally a senior independent member, but by convention has effectively accorded this role to the member who holds the position of Chancellor's Assessor. The position of Chancellor's Assessor is traditionally reserved for senior lay members of Court.

The lay members are all considered to be independent, being nominated (3), elected (2) or co-opted (7). Co-opted members are selected by a Governance and Nominations Committee, which invites applications via external advertisement as well as nominations from members of Court, members of staff and students.



Candidates for co-opted appointment to the Court are subject to a rigorous interview process which takes into account the skills mix and diversity of existing Court members as well as future requirements and issues of succession, for example, to convenerships of Court Committees. None of the lay members receives any payment, apart from the reimbursement of expenses, for the work they undertake for the University.

- (b) Subject to the general control and approval of Court, **Senate** is the academic authority of the University and draws its membership entirely from the staff (mainly academic staff) and the students of the institution. Its role is to direct and regulate the teaching, learning and research work of the University. Senate is chaired by the Principal and Vice-Chancellor.

Although Court meets at least five times each academic year, much of its detailed work is handled by committees: Finance and Policy Committee, Human Resources Committee, Governance and Nominations Committee (as set out above), Remuneration Committee and Audit Committee. These committees have written remits and their decisions and recommendations are formally reported to Court. They each have a specified membership, including lay members and a lay convener, which is approved on an annual basis.

The composition of Court and its committees, along with the attendance of members at meetings during the session 2012/13, is set out below.

The Remuneration Committee, which has an entirely lay membership, determines the remuneration of the most senior staff, including the Principal. In preparation for this role, it is guided by the Court on the policy it wishes the Committee to adopt in reaching its decisions with regard to senior pay.

The Audit Committee, which likewise has an entirely lay membership including additionally co-opted non-Court members, is chaired by a lay member of Court and meets four times a year, with the University's internal and external auditors in attendance. The Committee considers detailed reports from the internal and external auditors, together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans.

The Audit Committee's role is one of high level review of the arrangements for internal control and value for money. It also makes recommendations to the Court on the appointment of both internal and external auditors. It has authority to undertake and review activities associated with any matters within its terms of reference. Whilst senior university officers attend meetings of the Committee, as necessary, they are not members of the Committee. In order to safeguard the independence of the University's external auditors, provision by them of non-audit services is subject to the approval of the Audit Committee.

The Audit Committee also has a general responsibility for monitoring the operation and effectiveness of the University's Public Interest Disclosure and Anti-Bribery policies and arrangements.



Members of the governing body are encouraged to participate in training and development sessions offered as part of the Leadership Foundation's Governor Development Programme, and additional training sessions are organised annually by the University on issues of relevance. Members of the Audit Committee receive additional training twice annually, and are also encouraged to attend external training sessions provided by the audit sector.

The Court reflects annually on the effectiveness of both the Chair and of the Court itself. In addition, the effectiveness of Court and of its Committees is evaluated formally at least every five years. The first such review took place in 2000, with similar exercises undertaken in 2004 and 2009. The next review is scheduled at the latest for 2014, and consideration is currently being given to the recommendations within the Scottish Code of Good Higher Education Governance for such a review to be externally-facilitated. In addition the Audit Committee carried out its own self-assessment exercise in 2012 in accordance with best practice. The Chairperson of Court is expected to meet with other Court members on an individual and informal basis biannually to discuss their contribution and provide guidance if needed; this also provides an opportunity for the Chairperson to assess whether members continue to have confidence in the conduct of Court business.

This information is used by the Governance and Nominations Committee to determine whether lay members' appointments to the Court should be renewed.

The Chairperson is responsible for ensuring that the University is well connected with, and responsive to, key stakeholder groups – many of whom are represented on Court. In doing so, the Chairperson meets informally on a regular basis with senior academic managers.

The Principal and Vice-Chancellor is the chief academic and administrative officer of the University, who has a general responsibility to Court for maintaining and promoting the efficiency and good order of the University. As de facto Chief Executive, the Principal exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. Under the terms of the formal Financial Memorandum between the University and the Scottish Funding Council, the Principal is also the accounting officer of the University.

The Principal and Vice-Chancellor chairs a Senior Management Team and presents a written report on its work to each meeting of Court. The Senior Management Team also comprises the Vice-Principals, the University Secretary, the Director of Finance and other officers as required.



The University is operating towards the strategic goals and objectives set out in its Strategy to 2017, which Court approved in October 2012. In measuring its progress in achieving these goals and objectives, Court receives regular reports from the Director of Strategic Planning on an agreed set of performance indicators. These range from undergraduate entry requirements and graduate employment rates to fee income levels, volume of research, income per academic full time equivalent (fte), and space and energy efficiency.

The powers reserved to Court and those it has delegated to its Committees, to Senate and to the Principal and other senior officers, are set out in a Schedule of Delegation and Decision-making Powers, which is regularly reviewed.

The University maintains a register of interests of members of Court and senior officers. The interests of individual members of the Court are published on the University's web pages and the register may be consulted at any time by arrangement with the University Secretary.

Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the Charter and Statutes,

the Statement of Recommended Practice (Accounting for Further and Higher Education Institutions) and other relevant accounting standards.

In addition, within the terms and conditions of the Financial Memorandum agreed with the Scottish Funding Council (SFC), Court is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Court has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgement 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;
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. Court is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements;

Court also has a responsibility to:

- ensure that funds from the SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions which the SFC 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;
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure;

The University's system of internal financial control includes the following key elements:

- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial results, involving variance reporting and updates of forecast out-turns;
- clear definitions of the responsibilities of, and authority delegated to, budget-holders in Colleges, Schools and Student and Academic Support Services;
- detailed financial operating procedures for the authorisation and control of expenditure, whose provisions are approved by the Finance and Policy Committee and monitored by the Audit Committee;
- a professional internal audit team whose annual programme is approved by the Audit Committee on Court's behalf and which submits to the Audit Committee an annual report on internal audit activity and on the adequacy and effectiveness of the University's system of internal financial and other controls;

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

As part of the overall system of internal control Court has adopted a strategy for risk management. The main components of this strategy comprise regular review of an institutional risk register, the identification and evaluation by colleges and support services of risks to their own operations, and planning for disaster recovery and business continuity. The effectiveness of the risk management process has been overseen by a broadly based Risk Management Monitoring Group, which is responsible to Court via the Audit Committee and which also provides information to the senior management. During the year in question, the Court and the Audit Committee have taken an active role in identifying and evaluating the significant risks facing the University; this process includes oversight of the University's strategy for managing these risks. The process has been regularly reviewed.

The process of identification of risk areas is an ongoing, continual process carried out with the input of the Risk Management Monitoring Group, the Senior Management Team and other senior officers of the University, as well as Court and its Committees. In compiling the risk register, due regard is paid to the institutional objectives as set out in the University Strategy 2017, and each risk area is scored according to likelihood and impact.

SMT, Court and the Audit Committee formally review the risk register regularly, and at least twice a year.

Any enquiries about the constitution and governance of the University should be addressed to the University Secretary.

The principles and practice set out in this statement on corporate governance hold true for the full financial year reviewed in the financial statements as well as for the period up to the date of approval of the statement by the University Court.

Membership of Court and Committees

(Including attendance during academic session 2012/13)

		Committees					
		Court	Audit ¹	Finance and Policy	Governance and Nominations	Human Resources ²	Remuneration
		6 in year	4 in year	6 in year	5 in year	4 in year	1 in year
*Mr EF Sanderson, Chairperson		5(c)		6	5(c)		1
Professor CP Downes, Principal		6		6	5		
Professor R Abboud		5		5	5		
*Mr M Arnott	To 25/02/13	3 (of 4)					
Professor SM Black		5				3	
*Mr RS Bowie	From 01/08/13						
*Dr WGC Boyd	From 01/08/13						
*Professor A Burchell	To 31/07/13	6	2		4		
*Mr R Burns, Chancellor's Assessor		4		6(c)	4		1 (c)
*Ms SC Campbell		6				4	1
Dr DH Crouch	From 01/08/13						
*Lord Provost Mr R Duncan		3					
*Mr J Elliot		6		6			1
Professor T Harley	From 26/11/12	2 (of 4)			2 (of 3)		
Mr IA Kennedy	To 31/07/2013	6		6			
Mrs S Krawczyk		5				4	
*Dr J Lowe	To 31/07/2013	6		5	4	3(c)	
Mr I MacKinnon	From 01/08/13						
*Ms B Malone	From 25/02/13	2 (of 2)					
*Dr H Marriage	To 31/07/2013	5	4 (c)			2	
Ms J McGovern	To 31/07/2013	4			4		
Professor GJ Mires		6				4	
*Ms CA Potter		6				4	
Dr A Reeves		5		6			
*Mr KA Richmond ³		6	4				
Dr AM Roger	To 31/07/2013	3				2	
*Mr KAC Swinley ³		3	2				
Miss M Tasevska	From 01/08/13						
*Mr D Taylor	From 01/08/13						
Professor J Taylor	To 12/10/2012	1(of 1)			0 (of 1)		
*Mr IDM Wright		6		6	5		

NOTES

* lay Members

c = chairperson/convener of committee.

¹ The audit committee has two additional co-opted members, who are not members of court: Mr J Barnett (attended 3 times in 2012/13) and Mr I Stewart (attended 4 times in 2012/13). Mr Barnett's term of office on the Audit Committee expired on 31 July 2013, and Ms S Morrison-Low was appointed with effect from 1 August 2013 to replace him.

² The Human Resources committee has one additional staff member, who is not a member of court: Vice-Principal Professor CA Whatley (attended 4 times in 2012/13).

³ Mr KAC Swinley and Mr KA Richmond are also employer-nominated Trustees of the University of Dundee Superannuation Scheme and both attended all of the Trustees' 5 meetings in 2012/13 (Mr KAC Swinley as the Chairperson); and Ms Krawczyk is also an employee-nominated Trustee of the Scheme and attended all meetings in 2012/13.

Independent auditors report to the University Court of the University of Dundee

We have audited the group and parent institution financial statements (the “financial statements”) of the University of Dundee for the year ended 31 July 2013 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Statement of Group Total Recognised Gains and Losses, the Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow Movement in Net Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

● Respective responsibilities of the Court and auditors

As explained more fully in the Corporate Governance statement, the Court (who are also charitable trustees for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the institution’s Court as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

● Scope of the audit of the financial statements

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

● Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group’s and the parent institution’s affairs as at 31 July 2013 and of the group’s income and expenditure, recognised gains and losses and cash flows, 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 (SORP) on Accounting in Further and Higher Education; and
- have been prepared in accordance with requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended);

● **Opinion on other matters prescribed in paragraph 39 of the mandatory requirements attached to the Scottish Funding Council's Financial Memorandum with the University of Dundee**


In our opinion, in all material respects:

- funds from whatever source administered by the parent institution for specific purposes have been properly applied 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 the Funding Council have been applied in accordance with the Financial Memorandum and the mandatory requirements attached to the Financial Memorandum;

● **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require 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 by the parent institution; or
- the parent institution 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;



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Glasgow

9 December 2013

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

Notes:

- a) The maintenance and integrity of the University of Dundee's website 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 website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Financial Statements

Year ended 31 July 2013

Statement of Principal Accounting Policies

● 1. Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards in the United Kingdom. The financial statements have also been prepared in accordance with the Accounts Direction issued by the Scottish Funding Council.

The financial statements are prepared in accordance with the historical cost convention modified to include listed investments at their market value.

● 2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July. A list of these subsidiary undertakings is included in note 32. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

Entities, other than subsidiaries, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates. In the Group Financial Statements, associates are accounted for using the equity method, including the appropriate share of the results and reserves of each associate. The consolidated income and expenditure account includes the Group's share of the profit or losses of Dundee Student Villages (DSV), an associated undertaking, and the consolidated balance sheet similarly includes the Group's share of the net assets or liabilities of DSV.

The consolidated financial statements do not include those of the Dundee University Students Association as it is a separate organisation over which the University has no control or significant influence over policy decisions.

Business combinations that are not mergers are accounted for in accordance with Financial Reporting Standard 7 *Fair Values in Acquisition Accounting*. For acquisition accounting to be applicable the acquired entity will normally consist of more than a collection of assets and liabilities and will have its own processes distinct from those of the University.

● 3. Income recognition

Scottish funding council block grants are accounted for in the period to which they relate.

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

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

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

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

Income from short-term deposits is credited to the income and expenditure account on a receivable basis.

● 4. Agency arrangements

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

● 5. Leases and hire purchase contracts

Expenditure on fixed assets acquired under finance leases and the related lease obligations is capitalised in so far as the costs exceed the University's capitalisation threshold. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

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

● 6. Taxation status

The University is a charity within the meaning of part 1, chapter 2, section 7 of the Charities and Trustee Investment (Scotland) Act 2005, and is considered to pass the tests set out in paragraph 1, schedule 6, Finance Act 2010 and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity Number SC015096) and therefore it meets the definition of the charitable company for UK corporation tax purposes.

The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. Deferred taxation for subsidiaries is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

● 7. Land and buildings

Land and buildings are stated at 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. Donated land and buildings are stated at fair value at the date of receipt.

Costs incurred in relation to a tangible fixed asset after its initial purchase or production are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the costs of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

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

Depreciation

Buildings are depreciated over their estimated useful lives of up to 50 years on a straight line basis. Alterations and additions to buildings are depreciated over the expected useful life of the work carried out. No depreciation is provided on land. Assets in the course of construction are not depreciated until they are brought into use.

Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

Assets used by the University

The University occupies various premises owned by the NHS. The main locations are subject to service charges which are reflected in the income and expenditure account but are not subject to formal rentals. It is not possible to attribute value to these arrangements and hence these assets are not included in the financial statements.

Assets held for resale

Assets for resale are land and buildings which are no longer in use by the University and which the University is committed to sell and not replace. These assets are valued at the lower of net book value and net realisable value and included in current assets.

● 8. Equipment

Equipment, including PCs and software, costing less than £10,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other items of equipment are capitalised and depreciated on a straight line basis over their expected useful lives as follows:

Plant	20 years
Computer equipment	4 - 12 years
Research equipment	Shorter of 4 years or project life
Other equipment	4 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected life of the equipment.

● 9. Investments

Fixed asset investments are included in the balance sheet at market value except for investments not listed on a recognised stock exchange, which are carried at historical cost less any provision for impairment in their value.

Increases in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit to the extent that it is not covered by a previous revaluation surplus.

Investments that form part of Endowment Assets are included in the balance sheet at market value.

Investments in associates are shown in the consolidated balance sheet at attributable share of net assets.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Interests in land and/or buildings held for their investment potential are included in the balance sheet at their market value without charging depreciation.

● 10. Stocks

The stocks comprise mainly building maintenance, catering, central stationery and laboratory supplies, and are brought into the financial statements at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Neither consumable material held in academic departments nor library books are included in stocks.

● 11. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank and deposits repayable on demand and overdrafts, but excludes any assets held as endowment asset investments. No other investments, however liquid, are included as cash.

Liquid resources include short-term deposits with recognised banks and building societies and government securities held as part of the University's treasury management activities but exclude any such assets held as endowment assets.

● 12. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

● 13. Intra group transactions

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

Balances between the University and its associates are not eliminated; unsettled normal trading transactions are included as current assets or liabilities.

● 14. Accounting for charitable donations

Unrestricted donations

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

Endowment funds

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment. There are three main types:

Restricted permanent endowments – the capital fund is maintained and the income thereon must be applied to a purpose specified by the donor.

Unrestricted permanent endowments – the capital fund is maintained and the income thereon can be applied to the general purposes of the University.

Restricted expendable endowments – trustees have the discretion to convert endowed capital into income and the income must be applied to a purpose specified by the donor.

Income and capital gains

Income earned on the endowment assets is shown as 'endowment and investment income' in the income and expenditure account. Increases/decreases in value arising on the revaluation or disposal of endowment assets are reported in the statement of total recognised gains and losses.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Gifts in kind, including donated tangible fixed assets

Gifts in kind, other than property donated for use by the University, are included in 'endowment and investment income' in the income and expenditure account.

The value of property donated for use by the University is included at valuation in tangible fixed assets. The corresponding credit for land is taken to the income and expenditure account as a donation and for property other than land is taken to deferred capital grants.

● 15. Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation and Life Assurance Scheme (UODS). Both schemes are defined benefit schemes.

Pension costs for the UODS scheme are assessed on the latest actuarial valuation of the scheme and are accounted for on the basis of FRS 17.

The USS scheme is a multi-employer scheme and it is not possible to identify the assets of the scheme which are attributable to the University. In accordance with FRS 17 the USS scheme is accounted for on a defined contribution basis and contributions to this scheme are included in expenditure in the period in which they are payable.

The University participates in a number of other defined benefit pension schemes. Where the scheme is a multi-employer scheme and it is not possible to identify the University's share of the underlying assets and liabilities, it is accounted for on a defined contribution basis and contributions are included in expenditure in the period in which they are payable.

● 16. Provisions, contingent liabilities and contingent assets

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

The attributable share of net liabilities in associates is shown as a provision in the consolidated balance sheet.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than present asset arising from a past event.

Consolidated Income and Expenditure Account Year Ended 31 July 2013

		Group	
	Note	2012/13 £000	2011/12 £000
Income			
Scottish funding council grants	1	81,089	78,455
Tuition fees and education contracts	2	40,099	37,815
Research grants and contracts	3	68,391	66,742
Other income	4	36,212	39,504
Endowment and investment income	5	782	800
Total income		226,573	223,316
Expenditure			
Staff costs	6	130,711	128,080
Restructuring costs	6	-	651
Other operating expenses	7	77,820	71,218
Depreciation	10	13,985	16,294
Interest and other finance costs	8	871	977
Total expenditure		223,387	217,220
Surplus after depreciation of tangible fixed assets		3,186	6,096
Share of operating loss in associate	17	(99)	(243)
Surplus after depreciation of assets		3,087	5,853
Minority interest		31	7
Surplus before exceptional items		3,118	5,860
Exceptional items: continuing operations			
Disposal of fixed assets		-	896
Surplus on continuing operations after depreciation of assets and disposal of assets	9	3,118	6,756
Surplus for the year transferred from endowment income		387	448
Surplus for the year retained within general reserves		3,505	7,204

The financial statements have been prepared on a going concern basis and the principal accounting policies have been applied consistently throughout the year.

There is no material difference between the surplus on ordinary activities before taxation and the retained surplus for the year stated above and their historical cost equivalent

Statement of Group Total Recognised Gains and Losses Year Ended 31 July 2013

		Group	
	Note	2012/13 £000	2011/12 £000
Surplus on continuing operations after depreciation of assets and disposal of assets		3,118	6,756
Appreciation/(depreciation) of endowment assets	19	2,379	(333)
Surplus on revaluation of investments	11	23	11
New endowments	19	245	1,362
Actuarial (loss) in respect of pension schemes	31	(3,015)	(1,667)
Total recognised gain relating to the year		2,750	6,129
Reconciliation			
Opening reserves and endowments		37,773	31,644
Total recognised gain for the year		2,750	6,129
Closing reserves and endowments		40,523	37,773

Balance Sheets

as at 31 July 2013

	Note	Group 2013 £000	Group 2012 £000	University 2013 £000	University 2012 £000
Fixed assets					
Tangible assets	10	210,938	203,165	202,804	201,495
Investments	11	868	845	973	950
		211,806	204,010	203,777	202,445
Endowment assets	12	23,116	20,879	23,116	20,879
Current assets					
Stocks		312	330	275	197
Debtors	13	32,256	24,825	40,936	26,880
Short-term investments	14	32,903	22,544	32,903	22,544
Cash at bank and in hand		7,249	9,961	6,310	8,963
		72,720	57,660	80,424	58,584
Creditors: amounts falling due within one year	15	(95,263)	(69,329)	(95,285)	(69,146)
Net current liabilities		(22,543)	(11,669)	(14,861)	(10,562)
Total assets less current liabilities		212,379	213,220	212,032	212,762
Creditors: amounts falling due after more than one year	16	(1,336)	(9,654)	(1,336)	(9,654)
Provisions for liabilities	17	(15,775)	(16,546)	(12,191)	(13,061)
Total net assets excluding pension liability		195,268	187,020	198,505	190,047
Net pension liability	31	(25,307)	(23,641)	(25,307)	(23,641)
Total net assets including pension liability		169,961	163,379	173,198	166,406

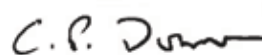
Balance Sheets as at 31 July 2013

	Note	Group 2013 £000	Group 2012 £000	University 2013 £000	University 2012 £000
Deferred capital grants	18	129,493	125,630	129,409	125,609
Endowments					
Expendable	19	3,519	4,174	3,519	4,174
Permanent	19	19,597	16,705	19,597	16,705
		23,116	20,879	23,116	20,879
Reserves					
Income and expenditure account excluding pension reserve	20	42,144	39,988	45,410	43,012
Pension reserve	20	(25,307)	(23,641)	(25,307)	(23,641)
Income and expenditure account including pension reserve		16,837	16,347	20,103	19,371
Revaluation reserve	20	570	547	570	547
Total Reserves		17,407	16,894	20,673	19,918
Minority interest		(55)	(24)	-	-
Total Funds		169,961	163,379	173,198	166,406

The financial statements on pages 24 to 56 were approved by the Court on 9 December 2013 and signed on its behalf by:



Eric F Sanderson
Chairman of Court



Professor C Peter Downes OBE FRSE
Principal and Vice-Chancellor



Andrew Hewett
Director of Finance

The University of Dundee
Dundee DD1 4HN

Consolidated Cash Flow Statement

Year ended 31 July 2013

	Note	Group	
		2013 £000	2012 £000
Net cash inflow from operating activities	21	14,497	4,405
Returns on investments and servicing of finance	22	478	554
Capital expenditure and financial investment	23	(8,500)	(3,267)
Cash inflow		6,475	1,692
Management of liquid resources	24	(10,359)	7,126
(Decrease)/increase in cash in the year	25	(3,884)	8,818

Reconciliation of net cash flow to movement in net funds

	Note	Group	
		2013 £000	2012 £000
Increase/(decrease) in cash in the year		(3,884)	8,818
Change in short term deposits		10,359	(7,126)
Change in net funds		6,475	1,692
Net funds at 1 August	25	31,007	29,315
Net funds at 31 July	25	37,482	31,007

Notes to the Financial Statements

	Note	Group 2012/13 £000	Group 2011/12 £000
1. Scottish funding council grants			
SFC recurrent teaching grant		49,479	46,516
SFC recurrent research grant		23,398	22,775
SFC non-recurrent research grant		3,312	4,229
Release of deferred capital grants	18	4,480	4,572
Other SFC grants		420	363
Total		81,089	78,455
2. Tuition fees and education contracts			
UK and EU fees		21,152	20,252
Non-EU fees		15,957	14,898
Non-credit bearing course fees		1,153	714
Other contracts		1,837	1,951
Total		40,099	37,815
3. Research grants and contracts			
Research Councils		17,084	17,997
UK charities		23,998	22,284
European Commission		6,207	5,416
Other grants and contracts		18,891	16,456
Release of deferred capital grants	18	2,211	4,589
Total		68,391	66,742
4. Other income			
Residences, catering and conferences		8,069	7,537
Other services rendered		8,441	9,411
Health Authorities		6,350	6,189
Release of deferred capital grants	18	2,615	2,812
VAT recoveries		573	351
Other grants, donations and income		10,164	13,204
Total		36,212	39,504

Notes to the Financial Statements

	Note	Group 2012/13 £000	Group 2011/12 £000
5. Endowment and investment income			
Income from expendable endowments	19	17	19
Income from permanent endowments	19	498	463
Income from short-term investments		267	318
Total		782	800
6. Staff costs		Group 2012/13 £000	Group 2011/12 £000
Staff costs:			
Wages and salaries		107,572	105,001
Social security costs		8,864	8,678
Other pension costs	31	14,275	14,401
Total		130,711	128,080
Staff costs		Group 2012/13 £000	Group 2011/12 £000
Academic departments		71,923	70,324
Academic services		7,745	7,580
Research grants and contracts		31,380	29,880
Administration and central services		11,988	12,547
Premises		4,542	4,561
Other		2,827	2,882
Catering and residences		306	306
Total		130,711	128,080
Restructuring costs		-	651
Total		130,711	128,731

Notes to the Financial Statements

6. Staff costs - continued

Average monthly staff numbers by major category	Group 2012/13 Number	Restated Group 2011/12 Number
Academic departments	1,377	1,354
Academic services	205	206
Research grants and contracts	730	676
Administration and central services	312	313
Premises	178	175
Other	67	71
Catering and residences	13	13
Total	2,882	2,808
	Group 2012/13 £000	Group 2011/12 £000
Emoluments of the Principal	222	219

The emoluments of the Principal are shown on the same basis as that for higher paid staff.

The University's pension contributions to USS are paid at the same rates as for other academic staff. In April 2012, the Principal opted out of the scheme. During 2012/13 £nil (2011/12 - £23,254) was paid as a pension contribution.

Notes to the Financial Statements

6. Staff costs – continued

Remuneration of other higher paid staff, excluding employer's Pension contributions but including payments made on behalf of the National Health Service in respect of merit awards which are excluded from the University's Income and Expenditure Account:

	2012/13 Number Non-Clinical	2012/13 Number Clinical	2011/12 Number Non-Clinical	2011/12 Number Clinical
£70,000 - £79,999	22	1	30	3
£80,000 - £89,999	26	7	27	7
£90,000 - £99,999	14	5	10	4
£100,000 - £109,999	9	10	3	11
£110,000 - £119,999	5	10	4	9
£120,000 - £129,999	2	6	4	8
£130,000 - £139,999	7	4	5	1
£140,000 - £149,999	-	3	-	9
£150,000 - £159,999	-	15	-	10
£160,000 - £169,999	-	2	-	2
£170,000 - £179,999	-	2	-	2
£180,000 - £189,999	-	5	-	5
£190,000 - £199,999	-	-	-	-
£200,000 - £209,999	-	4	-	4
£210,000 - £219,999	-	2	-	2
			Group 2012/13 £000	Group 2011/12 £000
Compensation for loss of office payable to senior post-holders:				
Compensation payable			252	256

The severance pay was in accordance with terms approved by the Remuneration Committee.

Notes to the Financial Statements

	Group 2012/13 £000	Group 2011/12 £000
7. Other operating expenses		
Academic departments	11,652	12,447
Academic services	5,202	4,248
Research grants and contracts	24,905	22,121
Administration and central services	12,774	11,443
Premises	11,962	10,523
Other	3,761	3,663
Catering and residences	7,564	6,773
Total	77,820	71,218
Other operating expenses include:		
External auditors' remuneration in respect of audit services	69	64
Internal auditors' remuneration	76	85
8. Interest and other finance costs	Group 2012/13 £000	Group 2011/12 £000
Loans repayable within five years	243	275
Net charge on pension scheme	628	702
Total	871	977
9. Surplus on continuing operations for the year	Group 2012/13 £000	Group 2011/12 £000
University surplus for the year	3,360	7,061
Deficit generated by associate and subsidiary undertakings	(242)	(305)
Surplus on continuing operations after depreciation of assets and disposal of assets	3,118	6,756

Notes to the Financial Statements

10. Tangible fixed assets	Land and Buildings Freehold £000	Equipment £000	Assets in the Course of Construction £000	Total £000
Group				
Cost				
At 1 August 2012	269,072	51,826	3,888	324,786
Additions	8,656	6,074	7,034	21,764
Transfers	2,919	-	(2,919)	-
Disposals	-	(35)	-	(35)
At 31 July 2013	280,647	57,865	8,003	346,515
Accumulated depreciation				
At 1 August 2012	(80,218)	(41,403)	-	(121,621)
Charge for Year	(8,764)	(5,221)	-	(13,985)
Transfers	-	-	-	-
Disposals	-	29	-	29
At 31 July 2013	(88,982)	(46,595)	-	(135,577)
Net book value				
At 31 July 2013	191,665	11,270	8,003	210,938
At 31 July 2012	188,854	10,423	3,888	203,165
University				
Cost				
At 1 August 2012	268,827	49,734	2,919	321,480
Additions	8,656	6,031	504	15,191
Transfers	2,919	-	(2,919)	-
Disposals	-	(35)	-	(35)
At 31 July 2013	280,402	55,730	504	336,636
Accumulated depreciation				
At 1 August 2012	(80,141)	(39,844)	-	(119,985)
Charge for Year	(8,760)	(5,116)	-	(13,876)
Transfers	-	-	-	-
Disposals	-	29	-	29
At 31 July 2013	(88,901)	(44,931)	-	(133,832)
Net book value				
At 31 July 2013	191,501	10,799	504	202,804
At 31 July 2012	188,686	9,890	2,919	201,495

Equipment includes the transfer of business from the Medical Research Council Protein Phosphorylation and Ubiquitylation Unit to the University of Dundee. The amounts acquired are:

Equipment at cost: £2,532k
 Accumulated Depreciation: £2,125k

Notes to the Financial Statements

10. Tangible fixed assets - continued

Buildings with net book value of £69,422k and cost of £108,062k have been funded from Exchequer funds; should these particular buildings be sold, the University would either have to surrender the proceeds or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

11. Investments

Group	2013 £000	2012 £000
Balance at 1 August	845	1,066
Disposals	-	(231)
Released to income and expenditure	-	(1)
Surplus on revaluation of investments	23	11
Balance at 31 July	868	845
Value at 31 July:		
Listed investments	1	1
Index linked government stocks and investment trusts	811	788
Other	56	56
Total	868	845
University		
Balance at 1 August	950	1,171
Disposals	-	(231)
Released to income and expenditure	-	(1)
Surplus on revaluation of investments	23	11
Balance at 31 July	973	950
Value at 31 July:		
Listed investments	1	1
Index linked government stocks and investment trusts	811	788
Subsidiary companies	105	105
Other	56	56
Total	973	950

Included in the above is £808k (2012 - £788k) in respect of investments for the future costs of early retirement pensions. The full list of subsidiary companies is listed in note 32.

Notes to the Financial Statements

	Group and University	
	2013 £000	2012 £000
12. Endowment asset investments		
Balance at 1 August	20,879	20,298
Additions	3,059	1,767
Disposals	(2,028)	(1,947)
Increase/(decrease)in market value of investments	2,378	(333)
(Decrease)/increase in cash balances held for endowment funds	(1,172)	1,094
Balance at 31 July	23,116	20,879
Market Value at 31 July:		
Convertibles (listed)	2,997	2,563
Equities (listed)	14,289	11,314
Bank balances	5,830	7,002
Total	23,116	20,879

Included in bank balances is £3,519k (2012 - £4,174k) relating to expendable endowments.

	Group 2013 £000	Group 2012 £000	University 2013 £000	University 2012 £000
13. Debtors				
Debtors	11,664	6,143	11,614	6,115
Amounts due from subsidiary companies	-	-	8,795	2,110
Prepayments and accrued income	20,592	18,682	20,527	18,655
Total	32,256	24,825	40,936	26,880

14. Short-term investments

The short-term investment (£32,903k) includes cash deposits held with various financial institutions. This is done to maximise the return and all amounts are accessible within 12 months.

	Group 2013 £000	Group 2012 £000	University 2013 £000	University 2012 £000
15. Creditors: amounts falling due within one year				
Research grants received on account	21,672	21,805	21,672	21,805
Other payments received on account	21,946	16,365	21,927	16,365
Loans	8,500	-	8,500	-
Trade creditors	8,372	5,591	8,482	5,796
Amounts due to subsidiary companies	-	-	151	131
Social security and other taxation payable	2,846	2,785	2,846	2,785
Accruals	31,927	22,783	31,707	22,264
Total	95,263	69,329	95,285	69,146

Notes to the Financial Statements

	Group and University	
	2013 £000	2012 £000
16. Creditors: amounts falling due after more than one year		
Unsecured loans	-	8,500
Accruals and deferred income	1,336	1,154
Total	1,336	9,654
	Group Only	
	2013 £000	2012 £000
Analysis of unsecured loans:		
Due between one year or on demand	8,500	-
Due between one and two years	-	8,500
Total	8,500	8,500
Due within one year or on demand	(8,500)	-
Due after more than one year	-	8,500

Unsecured loans are represented by a revolving credit facility of £34m repayable in 2016. It is the University's option for each advance to float against LIBOR or be at a fixed rate. At 31 July 2013, the amount drawn down was £nil (2012 £nil). There is also a loan facility of £8.5m repayable in 2014, floating against LIBOR, to fund the construction of a new research building of which the amount drawn down was £8.5m.

	Early Retirement Pension Costs £000	Other £000	Associated Company £000	Total £000
	17. Provisions for liabilities			
Group				
At 1 August 2012	6,256	6,805	3,485	16,546
Expenditure in the period	(494)	(1,385)	-	(1,879)
Additional provision required in year	-	535	99	634
Revaluation adjustment	474	-	-	474
At 31 July 2013	6,236	5,955	3,584	15,775
University				
At 1 August 2012	6,256	6,805		13,061
Expenditure in the period	(494)	(1,385)		(1,879)
Additional provision required in year	-	535		535
Revaluation adjustment	474	-		474
At 31 July 2013	6,236	5,955		12,191

Notes to the Financial Statements

● 17. Provisions for liabilities - continued

The above pension provision reflects the University's commitments to pay pension benefits to existing and former employees where a separate scheme is not in place. A valuation of the existing pension provision at 31 July 2013 was carried out by the University's appointed independent actuary, Xafinity Consulting.

Other provisions include amounts relating to the voluntary severance scheme; VAT; legal claims and changes in accounting for research. The exact amount and timing of these outflows is uncertain.

The University has a 33.3% holding in Dundee Student Villages (DSV) which operates and maintains University residences.

Associate

Dundee Student Villages

(Company limited by guarantee)

Proportion of voting rights held

33.3%

Nature of business

Residences

Date of financial information

31 July 2013

	DSV £000	University share of DSV £000
Aggregate capital and reserves	(10,752)	(3,584)
Loss for the year	(298)	(99)
Incoming resources	6,330	2,110
Fixed assets	39,649	13,216
Current assets	6,498	2,166
Liabilities less than one year	(691)	(230)
Liabilities more than one year	(56,207)	(18,736)

Notes to the Financial Statements

18. Deferred capital grants	Note	Scottish Funding Council £000	Other Grants £000	Total £000
Group				
At 1 August 2012				
Buildings		70,472	48,611	119,083
Equipment		1,509	5,038	6,547
Total		71,981	53,649	125,630
Cash received				
Buildings		2,547	7,018	9,565
Equipment		28	3,576	3,604
Total		2,575	10,594	13,169
Released to income and expenditure				
Buildings		(3,580)	(1,790)	(5,370)
Equipment		(900)	(3,036)	(3,936)
Total	1,3,4	(4,480)	(4,826)	(9,306)
At 31 July 2013				
Buildings		69,439	53,839	123,278
Equipment		637	5,578	6,215
Total		70,076	59,417	129,493

Notes to the Financial Statements

● 18. Deferred capital grants	Note	Scottish Funding Council £000	Other Grants £000	Total £000
University				
At 1 August 2012				
Buildings		70,472	48,611	119,083
Equipment		1,509	5,017	6,526
Total		71,981	53,628	125,609
Cash received				
Buildings		2,547	6,953	9,500
Equipment		28	3,576	3,604
Total		2,575	10,529	13,104
Released to income and expenditure				
Buildings		(3,580)	(1,790)	(5,370)
Equipment		(900)	(3,034)	(3,934)
Total	1,3,4	(4,480)	(4,824)	(9,304)
At 31 July 2013				
Buildings		69,439	53,774	123,213
Equipment		637	5,559	6,196
Total		70,076	59,333	129,409

Notes to the Financial Statements

● 19. Endowments

	Group and University					
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2013 Total £000	2012 Total £000
Balances at 1 August 2012						
Capital	4,519	10,744	15,263	4,174	19,437	18,879
Accumulated income	-	1,442	1,442	-	1,442	1,419
	4,519	12,186	16,705	4,174	20,879	20,298
New endowments	-	526	526	(281)	245	1,362
Investment income	161	337	498	17	515	482
Expenditure	(161)	(350)	(511)	(391)	(902)	(930)
Increase/(decrease) in market value of investments	702	1,677	2,379	-	2,379	(333)
At 31 July 2013	5,221	14,376	19,597	3,519	23,116	20,879
Represented by:						
Capital	5,221	12,948	18,169	3,519	21,688	19,437
Accumulated income	-	1,428	1,428	-	1,428	1,442
Total	5,221	14,376	19,597	3,519	23,116	20,879
Analysis by type of purpose:						
Lectureships	-	4,766	4,766	-	4,766	4,135
Scholarships and bursaries	2,723	6,524	9,247	255	9,502	8,069
Research support	-	486	486	2,974	3,460	4,093
Prize funds	-	2,116	2,116	59	2,175	1,880
General	2,498	484	2,982	231	3,213	2,702
	5,221	14,376	19,597	3,519	23,116	20,879

Notes to the Financial Statements

● 20. Reserves	Note	Group £000	University £000
Income and expenditure reserve			
At 1 August 2012		39,988	43,012
Surplus retained for the year		3,505	3,747
Less pension surplus		(1,349)	(1,349)
At 31 July 2013		42,144	45,410
Pension reserve			
At 1 August 2012		(23,641)	(23,641)
Actuarial loss	31	(3,015)	(3,015)
Surplus retained within reserves		1,349	1,349
At 31 July 2013		(25,307)	(25,307)
Revaluation Reserve			
At 1 August 2012		547	547
Surplus on revaluation of investments		23	23
At 31 July 2013		570	570
● 21. Reconciliation of surplus after depreciation of tangible fixed assets to net cash inflow from operating activities			
	Note	2013 £000	2012 £000
Surplus after depreciation of tangible fixed assets		3,186	6,096
Depreciation	10	13,985	16,294
Deferred capital grants released to income	18	(9,306)	(11,973)
Investment income	5	(782)	(800)
Interest payable	8	871	977
Decrease in stocks		18	56
(Increase)/decrease in debtors		(7,439)	209
Increase/(decrease) in creditors		16,811	(1,547)
Decrease in provisions		(870)	(3,570)
Change in value of investments		-	1
Pension costs less contributions payable		(1,977)	(1,338)
Net cash inflow from operating activities		14,497	4,405

Notes to the Financial Statements

22. Returns on investments and servicing of finance	2013	2012
	£000	£000
Income from endowments	515	482
Other interest received	275	320
Interest paid	(312)	(248)
Net cash inflow from returns on investments and servicing of finance	478	554

23. Capital expenditure and financial investment	2013	2012
	£000	£000
Proceeds from sales of fixed assets	-	896
New endowments received	245	1,362
Receipts from disposal of fixed asset investments	-	231
Receipts from disposal of endowment asset investments	2,028	1,947
Payments to acquire endowment asset investments	(3,059)	(1,767)
Payments to acquire tangible fixed assets	(20,483)	(12,410)
Deferred capital grants received	12,769	6,474
Net cash outflow from capital expenditure and financial investment	(8,500)	(3,267)

24. Management of liquid resources	2013	2012
	£000	£000
Net (increase)/decrease in short term investments	(10,359)	7,126

25. Analysis of changes in net funds	Note	At 1 August 2012 £000	Cash Flows £000	Non-Cash Changes £000	At 31 July 2013 £000
Cash at bank and in hand		9,961	(2,712)	-	7,249
Endowment assets	12	7,002	(1,172)	-	5,830
		16,963	(3,884)	-	13,079
Short term investments		22,544	10,359	-	32,903
Debt due within one year		-	-	(8,500)	(8,500)
Debt due after one year	16	(8,500)	-	8,500	-
Total		31,007	6,475	-	37,482

Notes to the Financial Statements

	Group 2013 £000	Group 2012 £000	University 2013 £000	University 2012 £000
26. Capital commitments				
Provision has not been made for the following capital commitments at 31 July:				
Commitments contracted for	12,559	20,672	8,654	10,963
Authorised but not contracted for	6,038	5,490	5,088	5,490
Total	18,597	26,162	13,742	16,453

27. Contingent liabilities

The University has provided a guarantee to the Clydesdale Bank on a loan of £1.9m to Dundee University Students' Association of which £459k remains outstanding at 31 July 2013. There is no information currently available which would suggest that this guarantee will be called upon.

The University, through its agreement with Dundee Student Villages (DSV), has the potential obligation to purchase the West Park Conference Centre (WPCC) should the DSV board decide to cease the WPCC business.

The University, jointly with six other universities, has provided a pension guarantee to the Universities Superannuation Scheme (USS) in the event of the cessation of membership of the USS by Advanced Procurement for Universities and College (APUC).

28. Post balance sheet events

No major events requiring disclosure have taken place after the balance sheet date.

	2012/13 Childcare £000	2012/13 Discretionary £000	2012/13 Total £000	2011/12 Total £000
29. Bursaries and other student support funds				
Balance b/fwd	26	25	51	54
Refund to Scottish Funding Council	(26)	(25)	(51)	-
Allocation received in the year	290	660	950	934
Expenditure	(264)	(688)	(952)	(931)
University contribution to funds	1	1	2	2
Virements	(27)	27	-	(8)
Balance c/fwd	-	-	-	51
Retained by University for students	-	-	-	51

Scottish Funding Council grants are available solely for students: the University acts only as paying agents. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Notes to the Financial Statements

30. Disclosure of related party transactions

Due to the nature of the University's operations and the composition of the University 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 University Court may have an interest. All transactions involving organisations in which a member of the University Court may have an interest, including those identified below; are conducted at arms length and in accordance with the University's normal procurement procedures.

A review of the register of interests of Court Members was made and no material interests were identified.

The consolidated financial statements consolidate the financial statements of the subsidiary companies listed in Note 32. Transactions and balances between the Group entities have been eliminated on consolidation and have not been disclosed (in accordance with FRS 8).

Balances due to related parties not disclosed separately on the balance sheet at 31 July were as follows:

	2013 £000	2012 £000
Due to Dundee Student Villages	(7)	(34)
Due from Dundee Student Villages	6	34

In accordance with the agreement with Dundee Student Villages, the University transferred £7.5m of student rental income to Sanctuary Housing Association.

£101k of conference and room hire was purchased from West Park Centre Limited, a trading subsidiary of Dundee Student Villages.

31. Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation and Life Assurance Scheme (UODS). For former academic and support staff of Duncan of Jordanstone College of Art and of Northern College, contributions are paid to the Scottish Teachers Superannuation Scheme (STSS) and two local government schemes, Strathclyde Pension Fund and Tayside Superannuation Fund. For some former employees of the Medical Research Council (MRC) contributions are paid to the MRC Pension Scheme.

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

	Note	2012/13 £000	2011/12 £000
USS contributions paid		11,988	11,754
UODS charge to income and expenditure		2,008	2,003
UODS recovery in respect of past service costs		(392)	
Contributions paid to other pension schemes		671	644
Total pension costs	6	14,275	14,401
Outstanding pension contributions at 31 July		2,068	1,938

Notes to the Financial Statements

● 31. Pension schemes – continued

Other pension schemes

Former members of academic staff of Duncan of Jordanstone College of Art and of Northern College are covered by the Scottish Teachers Superannuation Scheme (STSS), which is an unfunded, multi-employer, defined benefits scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

The University participates in two local government schemes (Strathclyde Pension Fund and Tayside Superannuation Fund), in respect of support staff who are former members of staff of Duncan of Jordanstone College of Art and of Northern College. It also participates in the Medical Research Council Pension Scheme for former employees of the MRC. For reasons of materiality, the University has accounted for its contributions as if these were defined contribution schemes.

1. Universities Superannuation Scheme (USS)

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

Following the latest triennial actuarial valuation of the scheme at 31 March 2011, the contribution rate payable by the University to USS remained unchanged at 16% of pensionable salaries.

Because of the mutual nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted 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 period.

2. University of Dundee Superannuation Scheme

The group operates a defined benefit pension scheme, the University of Dundee Superannuation Scheme (UODS). The scheme is funded by the payment of contributions to a separately administered fund. UODS is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the UODS actuary reviews the progress of the LGSS scheme.

Following the triennial valuation undertaken as at 1 August 2011, the University's normal pension's contributions remain at 22.1% of pensionable earnings. This level of contribution (including cost of death in service) has been fixed to recover the deficit in the pension's fund, identified in the triennial valuation, over a period of 8 years.

Notes to the Financial Statements

31. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

Under the definitions set out in FRS 17, UODS is a defined benefit pension scheme. Accordingly, the University has implemented the accounting standard “FRS 17: Accounting for Retirement Benefits” to determine the University’s net pension liability.

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

	2013 %	2012 %
Price increases – RPI	3.3	2.3
Price increases – CPI	2.6	1.8
Salary increases	4.3	3.3
Revaluation of deferred benefits	2.6	1.8
Increases for pensions in payment:		
Fixed	3.0	3.0
RPI – subject to 5% maximum and 3% minimum	3.8	3.1
RPI – subject to 5% maximum	3.1	2.3
CPI (CARE) – subject to 3% maximum	1.7	1.7
Discount rate	4.7	4.3

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement at age 63 are:

	2013 years	2012 years
<i>Retiring today</i>		
Males	23.0	22.9
Females	25.4	25.3
<i>Retiring in 20 years</i>		
Males	24.2	24.2
Females	26.5	26.5

The assets in the scheme and the expected rate of return were:

	Long term rate of return			31 July 2013 £ Million	Value at	
	2013 %	2012 %	2011 %		31 July 2012 £ Million	31 July 2011 £ Million
Equities	6.3	5.5	7.0	57.3	49.7	47.9
Government Bonds	2.5	2.5	4.0	14.1	8.9	7.5
Corporate Bonds	4.7	3.9	5.4	4.0	12.1	10.7
Cash	3.3	2.5	4.0	3.7	2.1	2.5
				79.1	72.8	68.6

Notes to the Financial Statements

31. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

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

	2013 £000	2012 £000
Analysis of the amount shown in the balance sheet		
Total market value of assets	79,115	72,852
Present value of scheme liabilities	(104,422)	(96,493)
Net pension liability	(25,307)	(23,641)
Analysis of the amount charged to staff costs within operating surplus	£000	£000
Current Service Cost	2,008	2,003
Past service cost	(392)	-
Total operating charge	1,616	2,003
Analysis of amount charged to interest payable	£000	£000
Expected return on pension scheme assets	3,530	4,120
Interest on pension scheme liabilities	(4,158)	(4,822)
Net charge	(628)	(702)
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	£000	£000
Actual return less expected return on pension scheme assets	726	(1,170)
Changes in assumptions underlying the present value of scheme liabilities	(3,741)	(497)
Actuarial (loss)/gain recognised in STRGL	(3,015)	(1,667)

Notes to the Financial Statements

31. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

	2013 £000	2012 £000
Movement in deficit in the year		
Deficit in scheme at beginning of year	(23,641)	(22,610)
Movement in year:		
Current service cost	(2,008)	(2,003)
Past service cost	392	-
Contributions	3,593	3,341
Net charge on assets	(628)	(702)
Actuarial (loss)	(3,015)	(1,667)
Deficit in scheme at end of year	(25,307)	(23,641)

	2013 £000	2012 £000
Analysis of the movement in the present value of the scheme liabilities		
At beginning of year	96,493	91,200
Current service cost	2,008	2,003
Past service cost	(392)	-
Interest cost	4,158	4,822
Contributions by scheme participants	1,255	1,171
Actuarial loss	3,741	497
Net benefits paid	(2,841)	(3,200)
At end of year	104,422	96,493

	2013 £000	2012 £000
Analysis of movement in the market value of the scheme assets		
At the beginning of the year	72,852	68,590
Expected rate of return on scheme assets	3,530	4,120
Actuarial gain/(loss)	726	(1,170)
Contribution by the employer	3,593	3,341
Contributions by scheme participants	1,255	1,171
Net benefits paid	(2,841)	(3,200)
At end of year	79,115	72,852

Notes to the Financial Statements

31. Pension schemes – continued

2. University of Dundee Superannuation Scheme - continued

History of the scheme assets and liabilities	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Market value of scheme assets	79,115	72,852	68,590	57,843	47,116
Present value of scheme liabilities	(104,422)	(96,493)	(91,200)	(81,600)	(71,200)
Net Pension liability	(25,307)	(23,641)	(22,610)	(23,757)	(24,084)
History of experience gains and losses	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Cumulative					
Difference between the expected and actual return on scheme assets:					
Amount	726	(1,170)	5,032	5,227	(5,347)
Percentage of scheme assets	0.9%	(1.6%)	7.3%	9.0%	(11.0%)
Experience gains/(losses) on scheme liabilities:					
Amount	(3,741)	(497)	(4,180)	(5,300)	1,342
Percentage of the present value of scheme liabilities	(3.6%)	(0.5%)	(4.6%)	(6.5%)	1.9%
Total amount recognised in statement of total recognised gains and losses:					
Amount	(3,015)	(1,667)	852	(73)	(4,005)
Percentage of the present value of scheme liabilities	(2.9%)	(1.7%)	0.9%	0.0%	(5.6%)

The cumulative amount of actuarial loss recognised in the statement of total recognised gains and losses is £26,594k (2012: £23,579k).

Defined benefit scheme assets do not include any of the institution's own financial instruments, or any property occupied by the University.

The estimate for the employer contribution for the defined benefit scheme for the year 2013/14 is £3,700k.

The actual return on scheme assets in the year was £4,256k (2012: £2,950k).

Notes to the Financial Statements

● 32. Subsidiary undertakings

The subsidiary companies wholly-owned or effectively controlled by the University and registered in Scotland are as follows:

- Dundee University Utility Supply Company Limited of which the University owns 100% of the issued share capital of two £1 Ordinary Shares. The Company generates heat and power, solely for the University.
- Dundee University Project Management Limited, of which the University owns 100% of the issued share capital of one £1 Ordinary Share, is used to manage the construction of major capital build projects.
- AMCET Limited, of which the University owns 74% of the issued share capital of one hundred £1 Ordinary Shares. The Company's principal activity is the promotion, development and commercialisation of novel technology. The board has decided to wind up this company.
- University of Dundee Nursery Limited of which the University owns 100% is limited by guarantee. The Company promotes the care and education of children of staff or students of the University.
- Dundee University Press Limited, of which the University owns 70.1% of the issued share capital of one hundred and fifty thousand £1 Ordinary Shares. The primary activity of the company is to publish academic books. The majority of the assets of this company were sold after the year end.
- Dundee University Incubator Limited of which the University owns 100% of the issued share capital of one hundred and forty seven thousand £1 Ordinary Shares. The primary activity of the company is in support of new ventures.

Notes to the Financial Statements

● 33. Connected charitable institutions

Two charitable institutions are administered by or on behalf of the University and have been established for special purposes. One of the connected institutions is included as a subsidiary undertaking in these consolidated financial statements; the other is not included in the consolidation since the University does not have control over its activities.

The movement in the year to 31 July 2013 on the total funds of the University of Dundee Nursery Limited, as reported in its Financial Statements, was as follows:

	At 1 August 2012 £000	Income £000	Expenditure £000	Change in market value £000	At 31 July 2013 £000
Consolidated (see note 31)					
University of Dundee Nursery Limited (SC032969)	137	189	(181)	-	145

The Financial Statements of the Centenary Trust of Duncan of Jordanstone College of Art to 31 July 2013 have not yet been prepared. The Financial Statements for the year to 31 July 2012 show the movement in the year on the total funds as follows:

	At 1 August 2011 £000	Income £000	Expenditure £000	Change in market value £000	At 31 July 2012 £000
Not Consolidated					
Centenary Trust of Duncan of Jordanstone College of Art (SC020617)	114	1	-	-	115

The Centenary Trust was established in 1991 to award scholarships, grants and other financial support to students, graduates or staff of Duncan of Jordanstone College of Art and Design.



University of Dundee
Dundee DD1 4HN
tel +44 (0) 1382 383000
web www.dundee.ac.uk

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