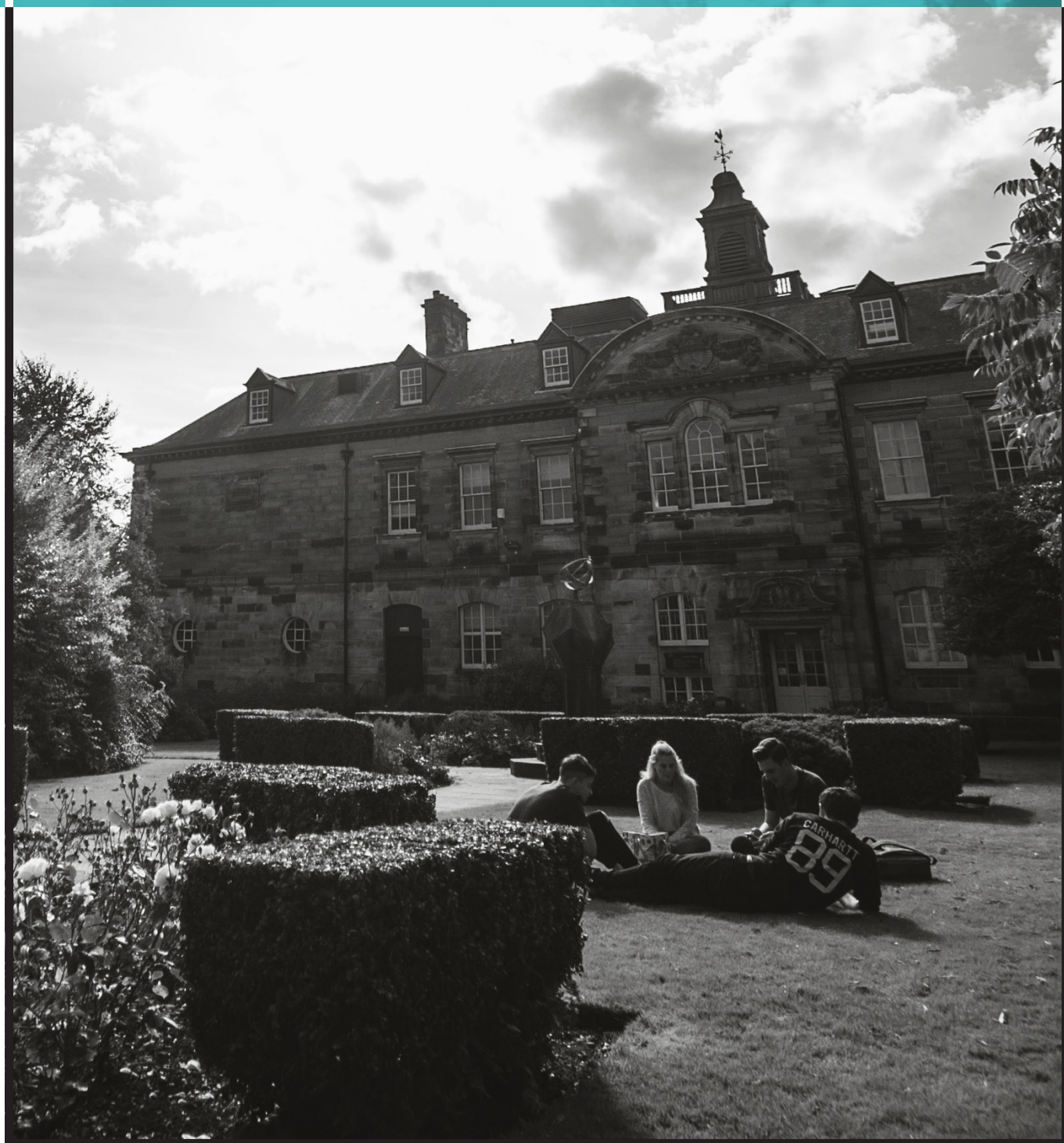


University of Dundee

Reports & Financial Statements

2015/16



Transforming lives **locally** and **globally**

Reports and financial statements for the year ended 31 July 2016

Contents

• Statement by the Chair of Court	3
• Principal's Report	5
• Strategy	7-11
• Financial Review	12-17
• Corporate Governance	19-24
• Independent Auditor's Report	25-26
• Financial Statements	29-68
Consolidated and University Statement of Income and Expenditure	30
Consolidated and University Statement of Changes in Reserves	31
Consolidated and University Balance Sheets	32-33
Consolidated Cash Flows	34
Statement of Principal Accounting Policies	35-39
Notes to the Financial Statements	40-68

For every **£1** of Scottish Government funding, the University generates over **£7** for the Scottish economy.

We support **over 8000 jobs** in Scotland.

One of the world's **top 200** universities.

Scottish University of the Year 2016 & 2017.

The University of Dundee **contributes over £740M** to the Scottish economy annually.

The **best place in Scotland to be a student** – top of student experience survey for six years running.

The **UK's top university** for biological sciences research.

Students and staff from **147 countries**.

Dundee is **the UK's only UNESCO City of Design**, joining international cities including Beijing, Berlin and Buenos Aires.

Most students per head of population of any Scottish city.



Statement by the Chair of Court



Our goal of transforming lives locally and globally does not lack ambition. But neither does it lack realism, because it is what we already do every day.

So it is a huge privilege for me to succeed Eric Sanderson as Chair of Court. Eric has been an outstanding Chair over the last six years. The fact that we approach our 50th anniversary as the UK's leading 'young University' is an appropriate

testament to the quality of Eric's leadership. These are great foundations. We owe Eric a substantial debt of gratitude.

For me the most exciting aspect of becoming Chair is the potential within the University to scale even greater heights. I truly believe the University of Dundee's best years are ahead.

The work of the University Court goes on largely behind the scenes. Yet our influence on the University is profound. We set the strategy, approve the business plans and allocate the University's finite resources in ways which we believe will best achieve our collective ambition.

Court is made up of a diverse group of staff, students and lay people. We bring different backgrounds but we are united in our desire to create an environment and culture for staff and students in which all may achieve their full potential. We help to set the tone for the University and I am delighted to say that Court believes the tone should be a very positive one.

All the necessary ingredients for future success are in place or are in train. The quality of our teaching, the excellence of our research and the exceptional nature of the student experience are all well documented elsewhere within this report. We have clear and ambitious plans for growth and development.

What is harder to put into words and league tables is what a friendly, welcoming place the University of Dundee is, a place where we nourish not only the head but also the heart and soul. Whether you are from Broughty Ferry or Beijing you will feel that this is your home from home. Whether you are from a family where going to University is the norm or whether, like the Principal and me, you are the first person in your family to go to University, you will find support in the form which suits you best. And among our staff, whether your speciality is teaching, research or in providing the support services on which we all depend your contribution will be valued equally.

There are of course challenges locally, nationally and internationally. However, I believe we are responding well to these challenges. We cannot and will not stand still. The opening of the School of Business is just one clear example of investment for the future out of many I could have chosen.

But as we respond to those challenges we will not forget our core strengths in teaching, in research and supporting our students. The University of Dundee was founded on the principle that collaboration is the best way to achieve transformation. That ethos burns just as brightly today in the way thousands of dedicated staff and students work together in common purpose.

We are "One Dundee". Welcome to our world.

Ronald Bowie
Chairman of Court

We contribute almost £750m to the **Scottish economy** every year.

life
sciences

Principal's Report



The past year has been a remarkable one in many ways for the University. We have achieved perhaps our strongest ever run of results across the many rankings and league tables that are applied to the sector. We strengthened our position among the world's top 200 universities, recorded our best score yet in the National Student Survey,

improved in our position in every major league table, were rated among the best for graduate employability and widening access, and capped all of that by being named Scottish University of the Year for the second consecutive year by the Sunday Times.

League tables and surveys are far from perfect instruments but they have become accepted methods of measurement and are treated seriously across higher education, from prospective students to policymakers. They also reflect in many ways the current direction of travel for the sector.

We have focused strongly on the student experience in recent times and we are seeing our efforts rewarded. The Sunday Times Good University Guide ranked us in the UK top ten for both teaching quality and student experience, while in the National Student Survey we were best in the UK for personal development of students and 7th overall.

Our research continues to produce world-leading innovation and this year we captured our economic impact in a report from the Fraser of Allander Institute which showed we contribute almost three-quarters of a billion pounds to the Scottish economy every year and support around 8000 jobs.

There is much to be positive about but we cannot be complacent in any way, particularly when we are facing an array of considerable challenges to the sector which may affect us and many other universities.

Financial sustainability remains a point of focus and increasing challenge. In its first major review of higher education, Audit Scotland reported that our higher education sector is financially healthy but faces immediate challenges, and tough choices are likely to lie ahead if public funding is to deliver government policy ambitions. The report detailed significant concerns about increasing costs, potential further reductions in Scottish Government funding, and risks to universities' ability to continue increasing income from other sources, particularly that generated from fee-paying students from the rest of the UK, and internationally, outside the EU.

On the latter point particularly, the Brexit result and much of the rhetoric which has followed it compounds the issue. We have made significant investment in our recruitment of overseas students and are seeing positive results, with benefits to the University and the wider society, but the environment is challenging as immigration controls are set to become even tighter for students.

We are also responding to recent and current legislation, including the new Higher Education Governance Act in Scotland, and the new Higher Education & Research Bill making its way through Westminster.

These will bring more changes to the higher education landscape. To adapt successfully we must be in the strongest possible position academically and financially, and have a Scottish and UK higher education sector that is supported by government to maintain our eminent position on the global stage.

C. Peter Downes

Professor Sir C Peter Downes OBE FRSE
Principal and Vice-Chancellor

The best place in Scotland to be a student

Strategy

Transforming Lives

The University of Dundee has a clear mission - to transform lives, locally and globally, by the creation, sharing and application of knowledge. We do this with world-class teaching and pioneering research, with work that has social, cultural and economic impact.

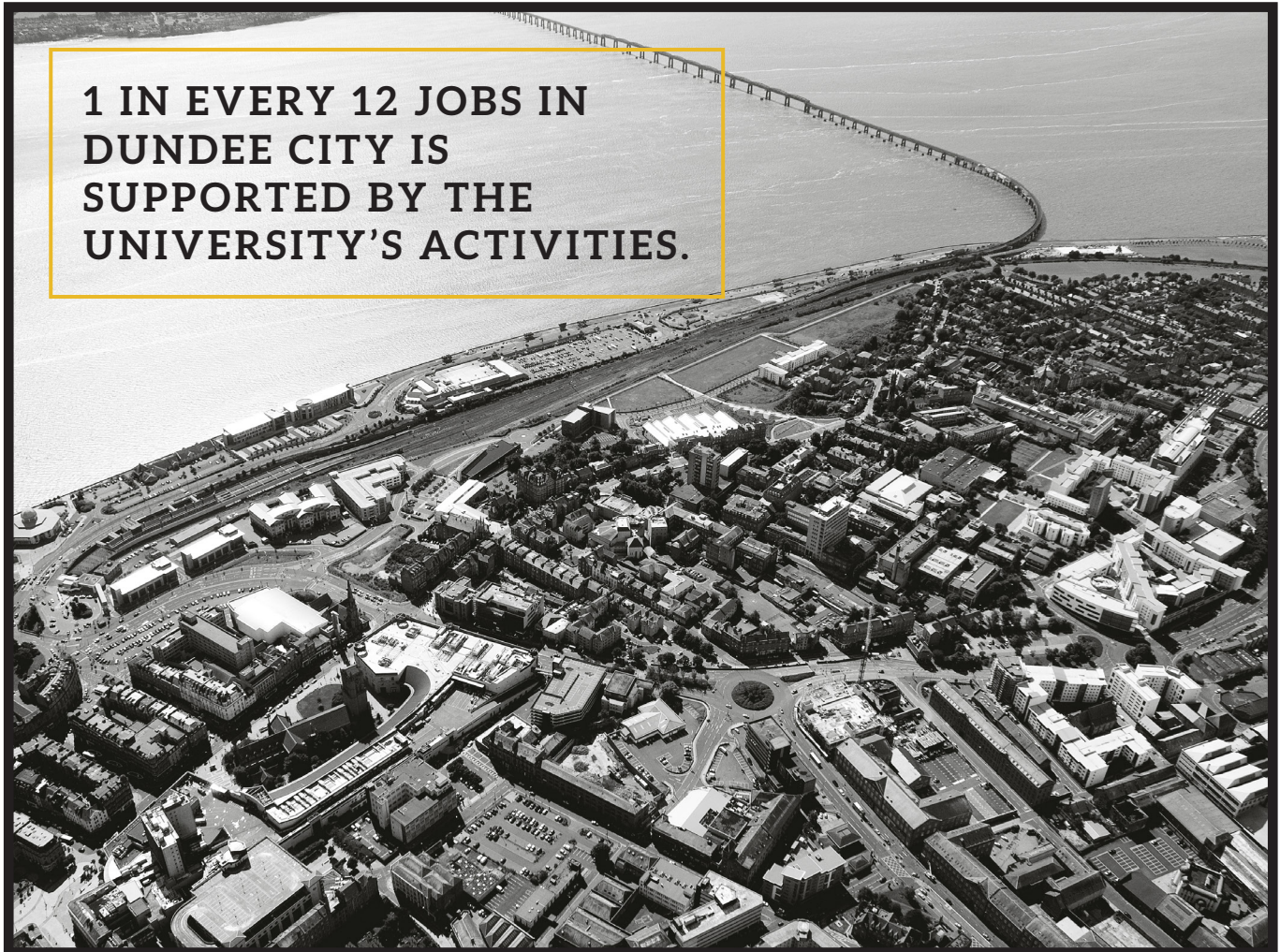
We are a Scottish institution operating on a global stage. Our impact is felt from the centre of Dundee, where we are absolutely central to the city's future plans and prosperity, to the countries of the developing world where we are helping cure devastating diseases like malaria, and giving people life-changing opportunities for education.

We are proud to be welcoming and accessible to all, regardless of gender, ethnicity, religion, creed or financial means. We lead the way in widening access to higher education to Scotland and we welcome students and staff from more than three-quarters of the countries of the world.

Next year (2017) marks the 50th anniversary of our establishment as an independent University. We arrive at this milestone as the Scottish University of the Year for two years running, as one of the World's Top 200 universities, and as the leading UK university under 50 years old.

Dundee proves it is possible to be both an outstanding teaching university and one at the cutting edge in research work.

ALASTAIR MCCALL
EDITOR OF THE TIMES AND SUNDAY TIMES GOOD UNIVERSITY GUIDE



**1 IN EVERY 12 JOBS IN
DUNDEE CITY IS
SUPPORTED BY THE
UNIVERSITY'S ACTIVITIES.**

Our organisational structure

The University is organised into nine schools together with professional services. Each school is led by a Dean supported by a number of Associate Deans and a School Manager. The activity in the schools is supported by the Professional Services Group which includes Information Technology, Human Resources, Research and Innovation Services, Campus Services, Library and Learning Centre, Finance, Student Services, External Relations, and the Institute of Sport and Exercise.

	Staff numbers	Student numbers	Expenditure £m
School of Art & Design	115	1,170	7.8
School of Dentistry	85	347	6.6
School of Education & Social Work	98	1,194	5.6
School of Humanities	69	992	4.3
School of Life Sciences	686	805	53.0
School of Medicine	607	1,492	45.9
School of Nursing & Health Sciences	94	1,346	6.2
School of Science and Engineering	169	1,461	13.0
School of Social Sciences	188	2,733	14.2
Professional Services	782	152	65.2
Other	-	-	23.0
	2,893	11,692	244.8

Widening Access - Access for all

We have a long-term commitment to ensuring that students can access higher education no matter where they live or the social and economic conditions in which they have grown up in.

The University of Dundee has embraced the widening access agenda in a way that is unparalleled in Scotland – Dundee alone has accounted for over 30% of the national increase in students making their way to University from backgrounds in the most deprived 40% (MD40) of postcodes.

Our hugely successful summer school has seen around 2,000 students, who otherwise might not have had the chance of pursuing higher education, progress to a degree course.

Between 2012/13 and 2014/15, the University of Dundee has shown the largest increase in the proportion of students admitted from the most deprived 40 per cent (MD40) of postcodes in Scotland. Over this three year period the University has increased its proportion of MD40 entrants by 14% to over 31%.

The increased recruitment of students from the 20 per cent most deprived postcodes (MD20) has been equally impressive, with Dundee recruiting 101 additional MD20 students.

“The passion of your staff, the determined collective mind set at Dundee University, is what Scotland needs in spades.”

DAME RUTH SILVER
CHAIR OF THE COMMISSION FOR WIDENING ACCESS, FEBRUARY 2016

STUDENT EXPERIENCE

We have continually been among **the leading universities in the UK for student experience**. This year we recorded our highest ever scores in the National Student Survey, placing Dundee inside **the UK top ten**.

The University recorded **overall satisfaction among students of 91 per cent**, well above the sector average of 86 per cent. Dundee University Students' Association (DUSA) remains **the top students' union in Scotland** and fourth in the UK in this year's poll.

The survey, completed by 82 per cent of final year students, asks 22 questions across six themes relating to their experiences. Of these, Dundee students ranked **their university 1st in the UK** for Personal Development, 3rd for Learning Resources, 4th for Teaching, and 6th for Academic Support.

A **100 per cent satisfaction rating** was recorded by Physics students at Dundee, meaning it came **top in the UK**, while a further **12 subjects were ranked in the top 10** nationally – Computing (3rd), Dentistry (3rd), Design (3rd), Fine Art (3rd), Others in Creative Art and Design (3rd), Maths (5th), Nursing (6th), Human and Social Geography (7th), Architecture (8th), Teacher Training (9th), Others in Education (10th), and Philosophy (10th).

“This fantastic result has been achieved thanks to a huge collective effort by staff right across the University and in our partner organisations such as the NHS, working together with our students. The 2016 figures represent our best ever scores in the NSS, with strong performances at both institutional and subject levels. The results strengthen our reputation for outstanding learning, teaching and student experience.”

PROFESSOR KARL LEYDECKER
VICE-PRINCIPAL (LEARNING & TEACHING)

RANKINGS

We are the **Scottish University of the Year** in The Times & Sunday Times Good University Guide for a second consecutive year (2016 & 2017), and **one of the World's Top 200 Universities** (Times Higher Education).

The Sunday Times placed Dundee in the **top ten in the UK** for both our excellent teaching quality and our student experience, and noted the strength of research at the University and our economic, social and cultural impact.

Both Times Higher Education and QS World University Rankings placed **Dundee top in the UK** and in the world's top 20 of universities under 50 years old.

Dundee is now ranked in the top 30 of UK universities by all of the major guides – The Sunday Times, The Guardian and the Complete University Guide

Reuters ranked Dundee in the top 20 of their list of **Europe's most innovative universities**, with only Imperial, Cambridge, Oxford and Manchester ranking higher in the UK.

Risks

How risks are managed

The Scottish Funding Council (SFC) requires all institutions to confirm they have an effective system of internal control. This includes an on-going process for identifying, evaluating and managing significant risks.

The University Court has therefore adopted a Risk Management Strategy which aims:

- to embed a culture of risk management throughout the University
- to motivate staff to take ownership of risks
- to control the organisation's risk management programme through monitoring, audit and other techniques

A Risk Management Monitoring Group implements the strategy. The group is chaired by the University Secretary with representation from the Schools and Professional Services.

In accordance with the strategy, the Group has developed an Institutional Risk Register, which is under regular review. It has also devolved the process of risk identification and evaluation to all Schools and Professional Services in the University, which produce their own local risk registers. The Monitoring Group regularly reports to the Audit Committee.

Identified key risks

Risk area	Risk description	Risk management
Financial sustainability	Failure to generate sufficient surpluses to maintain and develop the existing infrastructure (physical, IT and human)	<ul style="list-style-type: none"> • Five year financial plans and annual budgets are used to quantify risks and the impact of remedial action • Budgetary control is exercised by Court through the Finance & Policy Committee, and by the University Executive Group • HR Committee monitors the development of human resources • F&PC monitors the condition of the estate and the implementation of major new systems
Student experience	A decline in the quality of the student experience could adversely affect the University's reputation with a consequent reduction in student recruitment	<ul style="list-style-type: none"> • There is student representation on all the major University committees • There is a formal partnership agreement between the University and Dundee University Students Association (DUSA) • A formal Student Experience Oversight Group has been created
Research excellence	A reduction in the quality of research could adversely affect the University's reputation and could lead to a loss of staff and students.	<ul style="list-style-type: none"> • Annual Research Review measures research quality and provides data for strategic management of research activity • Recruitment focusses on research excellence
Process and systems efficiency	Processes and systems provide inadequate information for effective decision making while incurring unnecessary costs	<ul style="list-style-type: none"> • The Transformation Project, which will see the replacement of most corporate systems with a new Integrated Business System, will simplify and standardise processes while providing one source of accurate data • A new network has been installed to improve the robustness of the IT infrastructure
Estate	Degradation of the estate could lead to the failure of key services and have an adverse impact on teaching and research	<ul style="list-style-type: none"> • The capital programme is prioritised to the most important areas for the University • Additional funds have been provided to increase expenditure on maintenance and investment over the next three years
Staff	Inability to attract, retain or develop staff could result in a loss in performance in key areas	<ul style="list-style-type: none"> • Increased focus on feedback, succession planning, talent spotting and staff development • Investment in Athena Swan and other equality and diversity measures
Government policy and legislation	Failure to meet the requirements of the University's outcome agreement with the SFC	<ul style="list-style-type: none"> • Strong alignment between the requirements of the outcome agreement and the University's own strategy • Revised recruitment procedures for MD40 students

Financial Review

The results for the year ended 31 July 2016 are the first to be presented under Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice – Accounting for Further and Higher Education 2015 (SORP 2015). Thus the way they are reported has changed significantly from the past.

The most significant change is in the accounting for capital grants which, for a research intensive university like Dundee, can form a significant part of total income in any year. In the past capital grants were deferred in the balance sheet and released to the income and expenditure account to match the depreciation of the underlying asset. Capital grants are now recognised in income in full when any performance related conditions are met while the underlying asset is depreciated over its expected useful life. The impact of this change is to create significant volatility in income while the net depreciation charge has increased markedly. In addition, balance sheet reserves have increased significantly as they now include capital grants that had previously been deferred.

A full analysis of transition to FRS 102 and SORP 2015 on the results previously reported for the year ended 31 July 2015 is given in note 33 to the accounts.

The following table shows the operating performance of the University:

Year ending	31 July 2016 £m	31 July 2015 £m
Deficit before other gains and share of operating loss in associate	(5.7)	(6.3)
Less: RDEC	(0.2)	(10.3)
Add back: Restructuring costs	0.1	4.1
Operating deficit before exceptional and other items	(5.8)	(12.5)

There was a significant improvement in the operating result over the year. However, the continuing deficit is mainly caused by the overheads relating to research activity being only partially funded. To rectify this and to ensure the University remains financially sustainable there are a number of growth and efficiency projects under way. The research strategy is ensuring that research remains world leading while also maximising the income and financial contribution that this generates. The learning and teaching strategy is improving the efficiency of delivery while also aiming to maximise income from unregulated sources. In addition the delivery of professional services across the organisation is being improved by the implementation of a new integrated business system which will result in the replacement of most corporate systems over the next two years combined with new, more efficient ways of working that provide enhanced services to students and staff.

Despite these improvements the operating result is expected to decline in 2016/17 due to increases in the rates of National Insurance contributions and employers pension contributions combined with lower grant income. The growth and efficiency projects will make increasing financial contributions in subsequent years when the operating result is expected to improve.

Although the deficit being reported is significant it does now include certain non-cash items. Looking at the cash flow of the University it can be seen that the operating activities were cash generative during the year and that overall cash balances increased by £14.1m.

	2016 £m	2015 £m
Net cash inflow / (outflow) from operating activities	10.1	(14.4)
Net cash inflow from investing activities	3.8	10.0
Net cash inflow from financing activities	0.2	0.9
Increase in cash and cash equivalents in the year	14.1	(3.5)

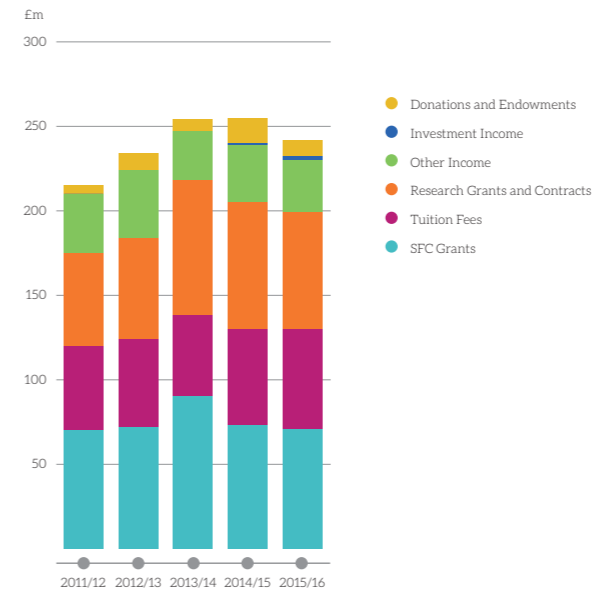
Cash and cash equivalents increased by

£14.1m

Income

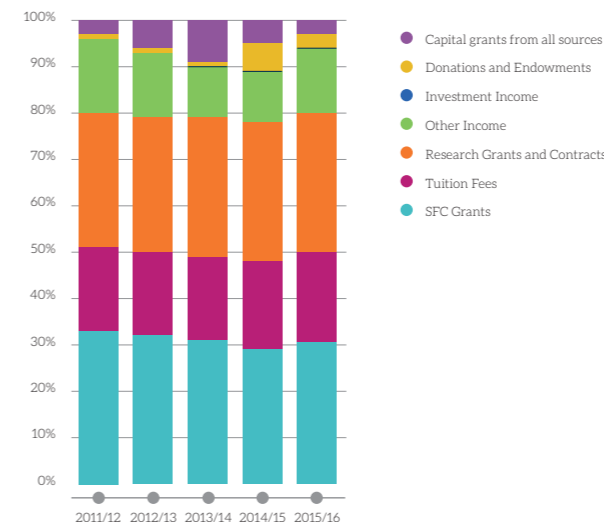
Total income for 2015/16 declined by £16.7m or 6.5% compared to the previous year with income from the Scottish Funding Council falling by £3.5m and income for research grants and contracts falling by £5.4m. Donations and endowments fell £7.4m in the year.

Total income including capital grants



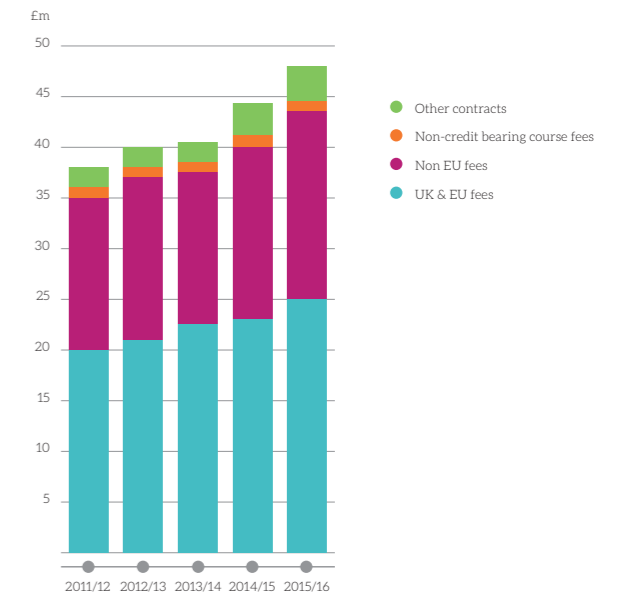
Capital grants can be subject to significant year-on-year changes. The following graph shows how the proportion of income from capital grants has changed over the last five years, peaking at 9.0% in 2013/14 and dropping to only 3.1% in 2015/16.

Proportion of total income from different sources



Income from tuition fees and education has grown steadily at a compound rate of 5.8% p.a. over the last five years. The increase in UK and EU fees has been supported by the implementation of charging fees to RUK students from the September 2012 intake onwards. Further growth in this category and in non-EU fees is anticipated as the University focuses on recruiting increasing numbers of RUK and international students onto courses where numbers are not subject to any controls.

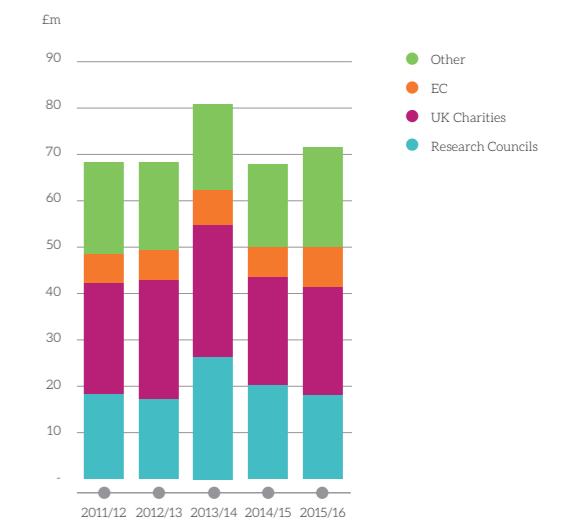
Tuition fees and education contracts



Research income in 2015/16 declined by £5.4m or 6.9% compared to 2014/15. However the 2014/15 figures included significant capital grants together with the receipt of £10.3m Research and Development Expenditure Credits. Adjusting for these items shows significant volatility in research income, both by funding source and in total value.

Sources of research income

(excluding Research and Development Expenditure Credit)



Expenditure

Staff costs continue to represent the largest category of costs to the University. At £138.5m they account for 56.6% of total expenditure although they declined by £14.8m or 9.7% from the previous year. The decline was mainly due to a much lower movement in the cost of the University's commitment to funding the deficit on the Universities Superannuation Scheme (USS). Excluding the costs of the voluntary severance scheme, underlying staff costs at £125.6m were £0.3m less than the previous year.

Year ending	31 July 2016 £000	31 July 2015 £000	Change £000
USS	12,768	23,286	(10,518)
Restructuring costs	103	4,094	(3,991)
Other staff costs	125,634	125,940	(306)
Total staff costs	138,505	153,320	(14,815)

Other operating expenses decreased by £1.5m from £87.5m to £86.0m. Within this total, expenditure on research increased by £2.4m while expenditure on premises is marginally down on the previous year as the University looks to maintain the quality of its infrastructure despite significant reductions in capital funding for this over the last few years. Expenditure by academic departments fell by £3.7m in part as a result of the efficiencies arising from the restructuring of the University in August 2015.

Other gains and losses

The gain on the disposal of non-current assets of £3.1m represents the University's surplus arising from the sale of certain spin-out companies in which the University retained an interest.

The share of the operating loss in an associated company is the University's share of the results of Dundee Student Villages Ltd. During the year that company undertook a major planned refurbishment of its student residences which resulted in an increase in costs and a significant financial loss being reported. However, the ongoing financial performance of the company remains in line with expectations set out in its 35 year business model with high levels of occupancy and the buildings remain in good condition.

A new

£40m

five year revolving credit facility was put in place in May 2016

Capital expenditure

Following significant capital investment across the campus in the last ten years the focus is now on maintaining and improving the quality of the existing estate. As a result capital expenditure during 2015/16 was relatively low at £7.1m.

Treasury and investments

Cash and cash equivalents increased by £14.1m in the year to stand at £35.3m. The improvement was mainly the result of lower levels of capital expenditure combined with tight management of working capital.

The University continues to hold significant Euro cash balances as an effective hedge against currency movements on the value of its deferred income from EU government sources which is also denominated in Euros. This helped to ensure that the University was not exposed to volatility in currency markets following the EU referendum on 23 June 2016.

A new £40m five year revolving credit facility was put in place with Bank of Scotland plc in May 2016. This will provide funds to invest in the continued growth of the University as well as the Business Transformation Project which will include the replacement of all the University's core systems in the next three years.

The value of the University's investments increased by £0.6m during the year. Endowment assets continue to be managed by independent fund managers whose performance is monitored by the University's Finance and Policy Committee. Their objective is that investment returns should exceed a benchmark calculated from a mix of UK bond, UK equity and international equity indices.

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 the terms and conditions agreed between the University and its suppliers, providing that all trading terms and conditions have been complied with. At 31 July 2016 the University had an average of 33 days' purchases outstanding in trade creditors. Interest paid under the Late Payment 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.

Following the triennial valuation of UODS undertaken as at 1 August 2014, 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 the period ending 31 August 2024.

Due to persistent and significant deficits on USS significant changes to the scheme came into effect on 1 April 2016. The changes affect both benefits and the employers' contribution rate which increased from 16% to 18% of pensionable earnings

Pension costs represent a significant commitment by the University towards offering competitive remuneration to all its staff. The total cost of pension provision was:

Year ending	31 July 2016 £000	31 July 2015 £000
Universities Superannuation Scheme	12,798	23,286
University of Dundee Superannuation Scheme (UODS)	3,808	3,113
Other pension schemes	758	738
Interest on USS deficit	720	399
Interest on UoDS deficit	1,666	1,410
Remeasurement of UODS pension scheme liability	26,771	13,349
	46,521	42,295



One of the
World's **Top 200**
Universities

(TIMES HIGHER EDUCATION)

Key performance indicators

The following key performance indicators were established in 2012 at the start of the current five year strategic planning period as the most relevant to measure progress towards the University's long term strategic goals.

The University's attention to quality in teaching and learning is apparent in the improving trends for the response to the National Student Survey and the increase in unregulated teaching income as well as the excellent performance in students achieving graduate level jobs. Student recruitment in September 2016 has continued to grow further as students recognise the strength of what we are able to offer them.

There was a slight deterioration in the quality of estate during the year and this issue will be addressed over the next three years through the allocation of increased amounts of capital to the maintenance and improvement of the University's buildings.

Although all the main financial measures remain red there was an improvement in the financial result before other gains and share of operating loss in associate. This is expected to decline in 2016/17 mainly as a result of increased costs relating to pensions and national insurance before the positive impact of the investment in growth and efficiency projects starts to be seen in subsequent years. Stretching targets have been set for the growth in unregulated income and, following strong student recruitment in September 2016, these targets have largely been met for 2016/17.

The University's strategy will be refreshed during 2017 and, as a result, some of these key performance indicators are likely to change.

Key performance indicator	Trend	Status
Learning and teaching	Increase the overall satisfaction of students expressed in responses to the National Students Survey	↑ ●
	Improve progression rates for undergraduate students across all years of study	→ ●
	Increase the proportion of students achieving Firsts or 2:1 degrees	→ ●
	Increase the average UCAS score for students entering undergraduate study	→ ●
	Achieve targets for the proportion of Scottish students coming from areas of multiple deprivation	→ ●
	Increase the amount of unregulated teaching income	↑ ●
Research	Achieve targets for the number of research staff with personal fellowships, investigator awards or programme grants	→ ●
	Increase the value of research income per full time equivalent academic member of staff	→ ●
	Increase the contribution to overheads earned per full time equivalent academic member of staff	↑ ●
Wider impact	Increase income from industry and other sources	↑ ●
Employability, enterprise and entrepreneurship	Increase the proportion of students achieving graduate level outcomes in the world of work or further study	↑ ●
People	Increase the overall satisfaction of employees expressed in responses to periodic staff surveys	→ ●
Estate	Improve the overall quality of the University's estate	↓ ●
Financial sustainability	Increase the financial surplus towards 6% of income (pre-FRS102)	↑ ●
	Increase the rate of income per full time equivalent academic member of staff	→ ●

- Targets likely achieved or progress in line with expectation
- Progress being made but some further improvement required
- Significant improvement required to achieve targets

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 will develop, enhance and raise their understanding of equality and diversity issues.

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 Athena SWAN Charter was originally established to recognise excellence in science, technology, engineering, mathematics and medicine (STEMM) employment for women in academia. The charter now recognises work undertaken to address gender equality more broadly and not just barriers to progression that affect

women. The University signed up to the Charter in 2011 which has six key principles:

- to address gender inequalities requires commitment and action from everyone, at all levels of the organization
- to tackle the unequal representation of women in science requires changing cultures and attitudes across the organization
- the absence of diversity at management and policy-making levels has broad implications which the organization will examine
- the high loss rate of women in science is an urgent concern which the organization will address
- the system of short-term contracts has particularly negative consequences for the retention and progression of women in science, which the organization recognizes
- there are both personal and structural obstacles to women making the transition from PhD into a sustainable academic career in science, which requires the active consideration of the organization

Five schools across the University now hold the Athena SWAN Bronze Award in addition to the Bronze Award achieved by the University last year.



Ronald Bowie
Chairman of Court



Professor Sir C Peter Downes OBE FRSE
Principal and Vice-Chancellor

EMPLOYABILITY

'Great For Graduates'

Dundee is **one of the top UK universities for graduate employment**, according to this year's Destinations of Leavers from Higher Education (DLHE) survey, which showed **96.2%** of Dundee graduates were in work or further study **six months** after graduation.

In analysis of the data carried out by Times Higher Education, only seven large UK institutions scored higher.

“Employability is embedded into everything we do because we have a duty to our students to give them the best possible grounding for the world of work, while we also cultivate and strengthen academia-industry connections. In addition our sector-leading work in widening access means we are having a transformative impact on the lives of students from the most deprived areas of the country. Not only do they have the chance to fulfil their academic potential but they are also highly likely to go on to a positive destination after university.”

GRAHAM NICHOLSON
DIRECTOR OF STUDENT SERVICES AT THE UNIVERSITY.

Corporate Governance

This report covers the period from 1 August 2015 to 1 December 2016.

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). The University's governance framework and processes follow the Scottish Code of Good Higher Education Governance [‘the Code’] and the University considers itself compliant with the principles laid out in it. The University also follows the principles of the Financial Reporting Council's *UK Corporate Governance Code* (2016), insofar as they apply to the University sector.

Following the Royal Assent of the Higher Education Governance (Scotland) Act in April 2016, the University has been consulting on the most appropriate means to incorporate the requirements of the Act into its own governing instruments. This will involve amendments to Charter, Statutes and Ordinances, and the University is currently intending to transition to new arrangements which will be compliant with the Act by 1 August 2017, subject to any further guidance from the Scottish Government.

Charter and Statutes

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/governance/governance/court/primary-responsibilities/

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 was appointed in April 2016 to serve for three years from 1 August 2016. Following external advertisement, a panel comprising lay, student and staff members of Court interviewed shortlisted candidates before making a recommendation for appointment to the Court. The Deputy Chairperson of Court is appointed by the Court on the recommendation of the Governance & Nominations Committee.

The lay members are all considered to be independent. The

Governance & Nominations Committee appoints seven such co-opted members following an external advertisement and interview. This process takes into account the skills and diversity of existing Court members as well as future requirements and issues of succession, for example, to convenerships of Court Committees. The Court uses a skills matrix developed to inform lay appointments to the Court and has agreed a statement setting out its goals in relation to the balance of its membership in terms of equality and diversity. 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.

Committees

Although Court meets at least five times each academic year, much of its detailed work is handled by committees: Finance & Policy Committee, People & Organisational Development Committee (previously the Human Resources Committee), Governance & Nominations Committee, Remuneration Committee and Audit Committee. These committees have written remits, which are reviewed annually, 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 2015/16, is set out in the table below. In terms of the three statutory committees (Governance & Nominations Committee, Remuneration Committee and Audit Committee), they operate in summary as follows:

On an annual basis the **Governance & Nominations Committee** considers the contributions and commitment of members to the work of the Court and its Committees and more generally to the life of the University. The Governance & Nominations Committee has general oversight of the governance framework of the institution, considers changes to the governing instruments and makes recommendations to Court on Court and committee membership.

The **Remuneration Committee** 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 exclusively lay membership of the Committee comprises four members of Court. The Chairperson of Court is included within this membership but is not the Convener of the Committee.

The **Audit Committee**, which likewise has an entirely lay membership including two 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 investigate 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 any 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.

The other two committees, Finance & Policy Committee and People & Organisational Development Committee have summary remits as follows. Full remits for all committees of Court are available from the University's webpages at:

www.dundee.ac.uk/governance/governance/court/.

The **Finance & Policy Committee** advises Court on all matters pertaining to the financial health of the University and makes recommendations to Court on the adoption of financial forecasts, annual budgets and the financial statements (this last with the Audit Committee). The Committee also reviews and monitors the Estates Strategy, including providing scrutiny of major capital developments.

The **People & Organisational Development Committee** oversees all policies, strategies and procedures relating to the staff of the University. This includes performance, organisational development, reward, leadership and management, equality and diversity and retention and recruitment.

Effectiveness

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 as well as that of its committees. In addition, the effectiveness of Court and of its Committees is evaluated formally at least every five years using external facilitation. The last such review took place in the summer of 2014 and the next must take place at the latest by the summer of 2019. The Audit Committee also carries out formal self-assessments and last carried one out in 2012 in accordance with best practice and will carry out its next self-assessment in 2017. Consideration is currently being given to how such formal self-assessments might be introduced for all Court committees. The Chairperson of Court meets with other Court members on an individual and informal basis at least 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 as well as in the performance of the Principal and the University Executive Group. This information is also used by the Governance & 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 and professional service managers.

Executive

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 the University Executive Group (UEG) and presents a written report on its work to each meeting of Court. The UEG also comprises the Vice-Principals, the University Secretary, the Director of Finance, the Director of Human Resources & Organisational Development and the Director of External Relations.

Remuneration levels of the members of the UEG as at 31 July 2016, excluding employer's pension contributions, were as follows:

Title	Banding
Principal*	£260,000 - £269,999
Vice-Principal (Academic Planning & Performance)	£130,000 - £139,999
Vice-Principal (International)	£140,000 - £149,999
Vice-Principal (Learning & Teaching)	£120,000 - £129,999
Vice-Principal (Research, Knowledge Exchange & Wider Impact)	£120,000 - £129,999
University Secretary	£120,000 - £129,999
Director of Finance	£110,000 - £119,999
Director of External Relations	£100,000 - £109,999
Director of Human Resources & Organisational Development	£110,000 - £119,000

* The Principal has opted out of the Universities Superannuation Scheme (USS). In addition to his annual salary, the figure above includes an allowance equivalent to the employers' pension contribution to the USS which was 16% of salary.

Strategic Planning and Monitoring

The University is operating towards the strategic goals and objectives set out in its Strategy to 2017, which Court approved in October 2012, and is currently consulting widely on the development of the successor Strategy to 2022. 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. An annual summary of performance relative to key performance indicators and progress towards strategic objectives is published on the Court web pages www.dundee.ac.uk/governance/governance/court/.

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.

Top of student
experience
survey for **six**
years running.

Accounting Records and Controls

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

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 academic Schools and the professional 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 Schools and the professional 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 special meetings of the Professional Services Group which has reported 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 Professional Services Group, the University Executive Group 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.

The University Executive Group, 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 2015/16)

		Court (of 6)	F&PC (of 6)	G&NC ³ (of 6)	HRC (of 3)	AC ⁴ (of 4)	RC (of 2)
Eric Sanderson*, Chairperson ¹	To 31/07/16	5 (C)	6	5 (C)			1
Ronald Bowie*, Chairperson ²		6	5	2(of 2) (A)			2 (C)
Jo Elliot*, Deputy Chairperson		5	5 (A)	2(of 2) (A)		4 (C)	
Janice Aitken		6		4			
Richard Bint*		6		5		4	
Professor Dame Sue Black		6	4				
Dr William Boyd*		5			2	3	
Kevin Burns	To 31/07/16	5		5			
Shirley Campbell*		4			2 (C)		2
Professor Stuart Cross		5(of 5)			1(of 2)		
Principal Professor Sir Pete Downes		6	5	4			
Lord Provost Robert Duncan*		1					
Iain Howie*		5	6				
Tim Hustler	To 31/07/16	6	6				
Professor Tim Kelly		6			2		
Bernadette Malone*		6		4		2	2
Jane Marshall*		6	6	6			
Allan Murray*	From 01/08/16						
Sean O'Connor	From 01/08/16						
Dr Alison Reeves		5			3		
Karen Reid*		5			1		
Andrew Richmond*		5	6 (C)			4 (A)	
David Ritchie	To 30/11/16	6			3		
Professor Mairi Scott		5	4	5			
Denis Taylor*		5			2		
Indrė Urbanavičiūtė	From 01/08/16						

(A) In attendance

(C) Convener

* Lay Members

NOTES

In addition to the major committees reported above, attendance of members of Court is also recorded for meetings of the Welfare and Ethical Use of Animals Committee, Endowments Sub-Committee, Pensions Sub-Group and Internationalisation Committee of Senate.

F&PC = Finance & Policy Committee

G&NC = Governance & Nominations Committee

HRC = Human Resources Committee

AC = Audit Committee

RC = Remuneration Committee

Membership of Court and Committees

NOTES - continued

- ¹ The period of office of Eric Sanderson as Chairperson ended on 31 July 2016 and he was succeeded in the role by Ronald Bowie following an externally advertised recruitment process.
- ² Prior to his appointment as Chairperson, Ronald Bowie was a lay member of Court, appointed first on 1 August 2013. His current term as Chairperson runs from 1 August 2016 to 31 July 2019.
- ³ One meeting of the G&NC was devoted entirely to the appointment of a new Chairperson; Eric Sanderson, as incumbent, was absent from this meeting, and the Deputy Chairperson, Jo Elliot, convened the meeting.
- ⁴ The Audit Committee has two additional co-opted members, who are not members of Court: Sandra Morrison-Low, who attended 3 times in 2015/16 and Neil Menzies, who was appointed in February 2016 and attended 2 times.

The Convener of the Finance and Policy Committee is invited to attend meetings of the Audit Committee and a reciprocal arrangement is in place for the Convener of the Audit Committee to attend meetings of the Finance and Policy Committee. This arrangement does not give each voting rights on the Committee of which they are not convener.



Independent Auditor's Report To The University Court Of The University Of Dundee

We have audited the financial statements of University of Dundee for the year ended 31 July 2016 which comprise the Group and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement, Statement of Principal Accounting Policies and the related notes 1 to 33. 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), including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

This report is made solely to the University Court of University of Dundee, as a body, in accordance with our appointment under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Court of the University of Dundee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Court and auditor

As explained more fully in the Corporate Governance Statement set out on pages 19-24, the University Court (whose members are trustees of the University for the purposes of charity law) is 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 auditor 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.

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 and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University Court; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Reports and Financial Statements 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 of the University's affairs as at 31 July 2016 and of the Group's and the University's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland and with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Opinion on other matters prescribed by the terms of our engagement

In our opinion:

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

Independent Auditor's Report To The University Court Of The University Of Dundee - continued

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) requires us to report to you if, in our opinion:

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

Ernst & Young LLP

Ernst & Young LLP

Statutory Auditor

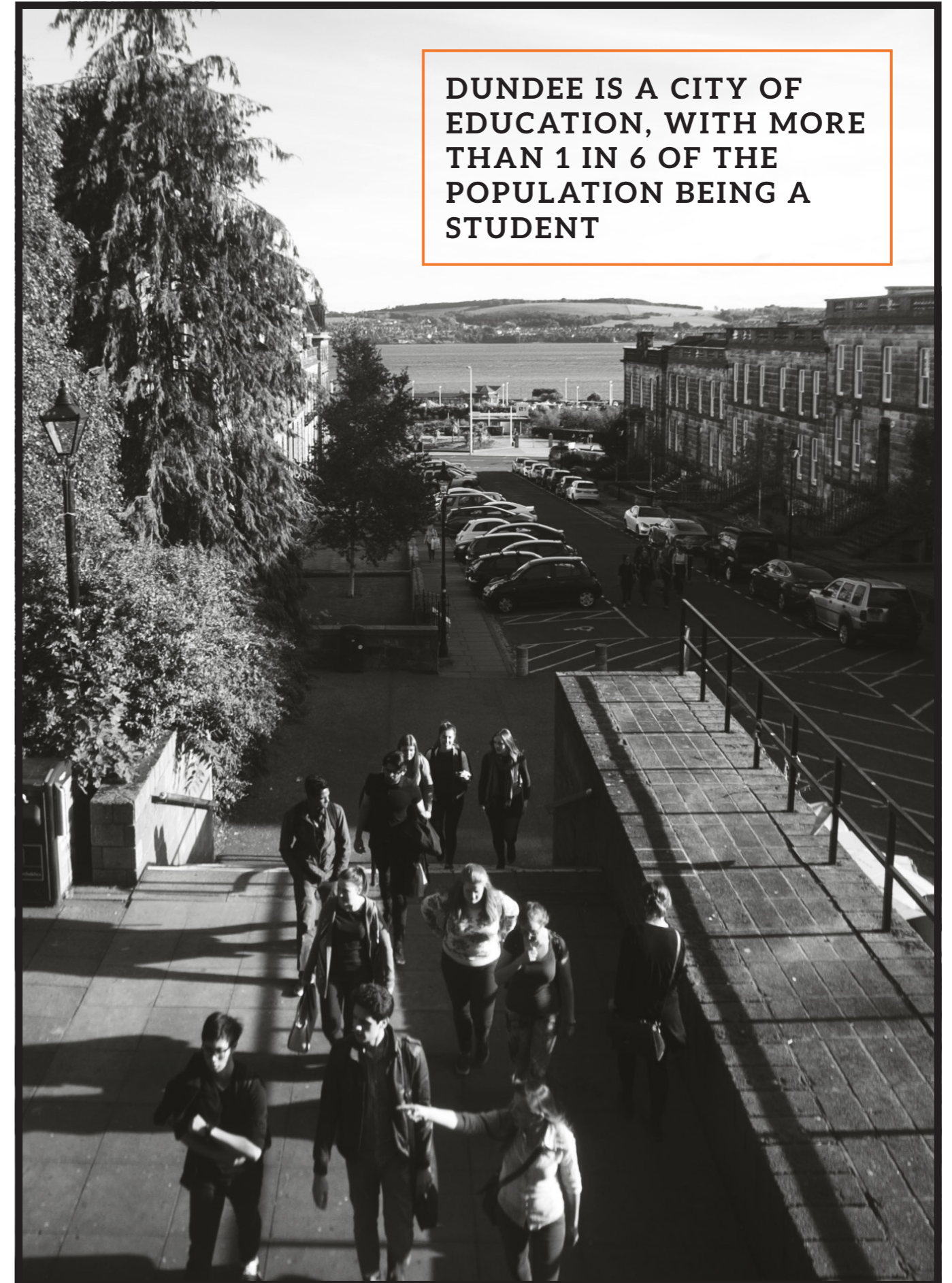
Edinburgh

Date *20 FEBRUARY 2017.*

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

The maintenance and integrity of the University of Dundee web site is the responsibility of the University Court; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**DUNDEE IS A CITY OF
EDUCATION, WITH MORE
THAN 1 IN 6 OF THE
POPULATION BEING A
STUDENT**

One of the
world's **top 200**
Universities

Financial Statements
Year Ended 31 July 2016

Consolidated and University Statement of Income and Expenditure Year Ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Scottish funding council grants	1	78,185	78,185	81,714	81,714
Tuition fees and education contracts	2	47,432	47,432	44,450	44,450
Research grants and contracts	3	72,865	72,865	78,236	78,236
Other income	4	30,235	29,926	33,744	33,547
Investment income	5	965	964	795	795
Donations and endowments	6	9,446	9,436	16,868	19,511
Total income		239,128	238,808	255,807	258,253
Expenditure					
Staff costs	7	138,505	138,252	153,320	153,165
Other operating expenses	8	85,959	86,413	87,465	87,759
Depreciation	13	17,797	17,626	19,314	18,918
Interest and other finance costs	9	2,519	2,519	1,979	1,979
Total expenditure		244,780	244,810	262,078	261,821
Deficit before other gains and share of operating loss in associate		(5,652)	(6,002)	(6,271)	(3,568)
Gain on disposal of non-current assets - fixed assets		314	314	392	392
Gain on disposal of non-current assets - investments		3,106	3,106	-	-
Gain on investments	15	816	816	942	942
Share of operating loss in associate	20	(1,105)	-	(97)	-
Deficit before tax		(2,521)	(1,766)	(5,034)	(2,234)
Taxation	10	(237)	(237)	(2,261)	(2,261)
Deficit for the year		(2,758)	(2,003)	(7,295)	(4,495)
Remeasurement of pension scheme liability	31	(26,771)	(26,771)	(13,349)	(13,349)
Total comprehensive loss for the year		(29,529)	(28,774)	(20,644)	(17,844)
Represented by:					
Endowment comprehensive income for the year		843	843	943	943
Restricted comprehensive income/(loss) for the year		660	660	(5,365)	(5,365)
Unrestricted comprehensive loss for the year		(31,032)	(30,277)	(16,222)	(13,422)
		(29,529)	(28,774)	(20,644)	(17,844)

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of Changes in Reserves Year Ended 31 July 2016

Consolidated	Income and expenditure account			
	Endowment £000	Restricted £000	Unrestricted £000	Total £000
Balance at 1 August 2014	24,008	7,618	211,784	243,410
Surplus / (deficit) from the income and expenditure statement	1,965	1,297	(10,557)	(7,295)
Other comprehensive loss	-	-	(13,349)	(13,349)
Release of restricted funds spent in year	(1,022)	(6,662)	7,684	-
Total comprehensive income/(loss) for the year	943	(5,365)	(16,222)	(20,644)
Balance at 1 August 2015	24,951	2,253	195,562	222,766
Surplus / (deficit) from the income and expenditure statement	1,829	909	(5,496)	(2,758)
Other comprehensive loss	-	-	(26,771)	(26,771)
Release of restricted funds spent in year	(986)	(249)	1,235	-
Total comprehensive income/(loss) for the year	843	660	(31,032)	(29,529)
Balance at 31 July 2016	25,794	2,913	164,530	193,237
University	Income and expenditure account			
	Endowment £000	Restricted £000	Unrestricted £000	Total £000
Balance at 1 August 2014	24,008	7,618	212,398	244,024
Surplus / (deficit) from the income and expenditure statement	1,965	1,297	(7,757)	(4,495)
Other comprehensive loss	-	-	(13,349)	(13,349)
Release of restricted funds spent in year	(1,022)	(6,662)	7,684	-
Total comprehensive income/(loss) for the year	943	(5,365)	(13,422)	(17,844)
Balance at 1 August 2015	24,951	2,253	198,976	226,180
Surplus / (deficit) from the income and expenditure statement	1,829	909	(4,741)	(2,003)
Other comprehensive loss	-	-	(26,771)	(26,771)
Release of restricted funds spent in year	(986)	(249)	1,235	-
Total comprehensive income/(loss) for the year	843	660	(30,277)	(28,774)
Balance at 31 July 2016	25,794	2,913	168,699	197,406

Consolidated and University Balance Sheet

	Notes	As at 31 July 2016		As at 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Intangible assets	12	91	91	-	-
Fixed assets	13	299,818	298,213	310,506	308,081
Investments	15	22,217	22,217	21,629	21,734
		322,126	320,521	332,135	329,815
Current assets					
Stock		255	255	243	243
Trade and other receivables	16	33,573	36,557	36,356	42,691
Cash and cash equivalents	17	35,285	32,126	21,214	16,170
		69,113	68,938	57,813	59,104
Less: Creditors: amounts falling due within one year	18	(80,689)	(79,753)	(77,459)	(76,924)
Net current liabilities		(11,576)	(10,815)	(19,646)	(17,820)
Total assets less current liabilities		310,550	309,706	312,489	311,995
Creditors: amounts falling due after more than one year	19	(986)	(986)	(1,668)	(1,668)
Provisions					
Pension provisions	20	(106,557)	(106,557)	(78,404)	(78,404)
Other provisions	20	(9,770)	(4,757)	(9,651)	(5,743)
Total net assets		193,237	197,406	222,766	226,180
Restricted Reserves					
Income and expenditure reserve - endowment reserve	21	25,794	25,794	24,951	24,951
Income and expenditure reserve - restricted reserve	22	2,913	2,913	2,253	2,253
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		164,530	168,699	195,562	198,976
Total Reserves		193,237	197,406	222,766	226,180

Consolidated and University Balance Sheet

The financial statements were approved by the Court on 14 February 2017 and were signed on its behalf on that date by:



Ronald Bowie
Chairman of Court



Professor Sir C Peter Downes OBE FRSE
Principal and Vice-Chancellor



Andrew Hewett
Director of Finance

Consolidated Cash Flow Year ended 31 July 2016

	Notes	Year ended 31 July 2016 Consolidated £000	Year ended 31 July 2015 Consolidated £000
Cash flow from operating activities			
Deficit for the year		(2,758)	(7,295)
Adjustment for non-cash items			
Depreciation	13	17,797	19,314
Gain on endowments and investments	15	(816)	(942)
Increase in stock		(12)	(18)
Decrease / (increase) in debtors	16	2,783	(4,951)
Increase / (decrease) in creditors		2,587	(17,646)
(Decrease) / increase in pension provision		(328)	10,439
(Decrease) / increase in other provisions	20	(986)	591
Pension costs less contributions payable		(676)	(1,110)
Share of operating deficit in associate	20	1,105	97
Adjustment for investing or financing activities			
Investment income	5	(965)	(795)
Interest payable	9	2,519	1,979
Endowment income	6	(358)	(406)
Gain on sale of fixed assets		(314)	(392)
Gain on sale of investments		(3,106)	-
Capital grant income	6	(6,345)	(13,207)
Net cash inflow/(outflow) from operating activities		10,127	(14,342)
Cash flows from investing activities			
Proceeds from sales of fixed assets		314	639
Capital grants receipts	6	6,345	14,108
Disposal of non-current asset investments		7,841	3,287
Investment income	5	965	795
Endowment funds invested	6	(358)	(406)
Withdrawal of deposits		358	12,324
Payments made to acquire fixed assets	13	(7,109)	(17,547)
Payments made to acquire intangible assets	12	(91)	-
New non-current asset investments	15	(4,449)	(3,194)
		3,816	10,006
Cash flows from financing activities			
Interest paid	9	(133)	(170)
Endowment cash received	6	358	406
New unsecured loans	19	-	686
Repayments of amounts borrowed	19	(97)	(49)
		128	873
Increase in cash and cash equivalents in the year		14,071	(3,463)
Cash and cash equivalents at beginning of the year	17	21,214	24,677
Cash and cash equivalents at end of the year	17	35,285	21,214

Statement of Principal Accounting Policies for the year ended 31 July 2016

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 2015 and in accordance with applicable Financial Reporting Standards in the United Kingdom. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. 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.

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 33.

Application of first time adoption grants certain exemption from the full requirements of the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 in the transition period. The following exemption has been taken into these financial statements:

Revaluation as deemed cost at 1 August 2014.

The financial statements are prepared on a going concern basis (see Note 32).

The functional currency of the University is pound sterling and the financial statements have been prepared to the rounded £000.

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. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure 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 consolidated Financial Statements, associated companies and joint ventures are accounted for using the equity method, including the appropriate share of the results and reserves of each associate. The Consolidated Statement of Comprehensive Income and Expenditure includes the Group's share of the profit or loss 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.

3. Income recognition

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure 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 not deducted from income.

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

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

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

Grant funding

Grant funding including Scottish funding council block grant, research grants from government sources, grants (including research grants) from non-government sources are recognised as income when the University is entitled to income and performance relate conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and Endowments

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

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

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

There are four main types of donations and endowments identified within reserves:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments – the donor has specified a particular objective other than the purchase of construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

4. Accounting for retirement benefits

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. Each fund is valued every three years by professionally qualified independent actuaries.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities attributable to the members of the University due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme. A liability is recorded within provisions for the present value of any contractual commitment to fund past deficits within the USS scheme.

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.

Defined Contribution Plan

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

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University.

The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

5. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

6. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance leases and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

7. Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

8. Operating leases

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

9. Foreign currency

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at the rate ruling at the month end prior to the transaction taking place. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at month or 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.

10. Fixed assets

Fixed assets are stated at cost less accumulated depreciated and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on 1 August 2014, the date of transition to the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings are stated at deemed cost less accumulated depreciation. Donated land and buildings are stated at fair value at the date of receipt.

Costs incurred in relation to land and buildings after initial purchase or construction 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 the tangible fixed asset concerned.

Depreciation

Land is not depreciated as it is considered to have an indefinite useful life.

The component items of buildings, and alterations and additions to buildings, are depreciated over their estimated useful lives on a straight line basis as follows:

Structure	50 years
Mechanical and electrical	25 years
Fit-out	15 years

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.

Equipment

Equipment, including computers and software, costing less than £25,000 per individual item or group of related items is recognised as expenditure 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

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

11. Intangible Assets

Intangible assets are amortised over 15 years representing the remaining estimated economic life of the assets. Intangible assets in the course of development are not depreciated until they are brought into use.

12. Investments

Non-current 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.

Investments in subsidiaries are carried at cost less impairment in the University's balance sheet.

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

Current asset investments are held at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

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

13. Stocks

Stocks comprise mainly building maintenance, catering 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.

14. Cash and cash equivalents

Cash includes cash in hand, sterling and foreign currency bank balances, deposits repayable on demand and overdrafts.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. Typically, they will have a maturity of less than three months.

Short-term deposits include deposits with recognised banks and building societies and government securities held as part of the University's treasury management activities.

15. Provisions, contingent liabilities and contingent assets

Provisions are recognised when

- the University 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resource will be required or the amount of the obligation cannot be measured reliably.

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

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

16. Taxation

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.

The University's subsidiaries, with the exception of the charitable company, University of Dundee Nursery Limited, are liable to Corporation Tax in the same way as any other commercial organisation.

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.

17. Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Consolidated Statement of Comprehensive Income and Expenditure.

18. Reserves

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

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

Notes to the Financial Statements for the year ended 31 July 2016

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
1. Scottish funding council grants				
General fund - teaching	51,735	51,735	51,589	51,589
General fund - research and knowledge exchange	22,488	22,488	23,809	23,809
Strategic funding	3,962	3,962	6,316	6,316
	78,185	78,185	81,714	81,714
2. Tuition fees and education contracts				
UK and EU fees	25,044	25,044	23,220	23,220
Non-EU fees	18,386	18,386	16,937	16,937
Non-credit bearing course fees	926	926	1,234	1,234
Other contracts	3,076	3,076	3,059	3,059
	47,432	47,432	44,450	44,450
3. Research grants and contracts				
Research councils	18,605	18,605	20,038	20,038
UK charities	23,484	23,484	23,533	23,533
European commission	8,412	8,412	6,992	6,992
Other grants and contracts	22,116	22,116	17,356	17,356
Research and development expenditure credit	248	248	10,317	10,317
	72,865	72,865	78,236	78,236

Notes to the Financial Statements for the year ended 31 July 2016

	Notes	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Consolidated	University	Consolidated	University
		£000	£000	£000	£000
4. Other income					
Residences, catering and conferences		8,304	8,304	7,749	7,749
Other services rendered		9,999	10,087	9,379	9,468
Health authorities		5,611	5,611	6,432	6,432
Other income		6,321	5,924	10,184	9,898
		30,235	29,926	33,744	33,547
5. Investment income					
Investment income on endowments	21	677	677	627	627
Other investment income		288	287	168	168
		965	964	795	795
6. Donations and endowments					
Capital grants		6,345	6,345	14,108	16,751
New endowments	21	358	358	406	406
Donations with restrictions	22	653	653	909	909
Other income with restrictions	22	257	257	221	221
Unrestricted donations		1,833	1,823	1,224	1,224
		9,446	9,436	16,868	19,511

Notes to the Financial Statements for the year ended 31 July 2016

	Year Ended 31 July 2016		Year Ended 31 July 2015		
	Notes	Consolidated £000	University £000	Consolidated £000	University £000
7. Staff costs					
Staff Costs :					
Wages and salaries		111,507	111,267	113,078	112,931
Social security costs		9,531	9,518	9,011	9,003
Other pension costs	31	17,364	17,364	27,137	27,137
Total		138,402	138,149	149,226	149,071
Staff costs by major category:					
Academic departments		69,797	69,797	78,828	78,828
Academic services		11,038	11,038	10,322	10,322
Research grants and contracts		35,352	35,352	39,278	39,278
Administration and central services		14,395	14,142	12,799	12,644
Premises		4,669	4,669	4,633	4,633
Other		2,813	2,813	3,014	3,014
Catering and residences		338	338	352	352
		138,402	138,149	149,226	149,071
Restructuring costs		103	103	4,094	4,094
		138,505	138,252	153,320	153,165
Emoluments of the Principal:		2015/16 £000		2014/15 £000	
Salary		264		261	

The emoluments of the Principal are shown on the same basis as that for higher paid staff.
The Principal has opted out of the Universities Superannuation Scheme (USS).

Notes to the Financial Statements for the year ended 31 July 2016

7. 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 Statement of Comprehensive Income:

	2015/16 Number	2015/16 Number	2014/15 Number	2014/15 Number
	Non-clinical	Clinical	Non-clinical	Clinical
£100,000 to £109,999	5	9	8	9
£110,000 to £119,999	7	11	8	7
£120,000 to £129,999	3	7	3	10
£130,000 to £139,999	2	9	3	4
£140,000 to £149,999	2	1	2	4
£150,000 to £159,999	-	5	-	10
£160,000 to £169,999	-	5	-	5
£170,000 to £179,000	-	1	-	2
£180,000 to £189,000	-	2	-	2
£190,000 to £199,000	-	-	-	-
£200,000 to £209,000	-	3	-	3
£210,000 to £219,000	-	1	-	1
	19	54	24	57

	2015/16 Number	2014/15 Number
Average staff numbers by major category :		
Academic departments	1,287	1,395
Academic services	267	238
Research grants and contracts	761	771
Administration and central services	323	292
Premises	174	173
Other	69	83
Catering and residences	12	13
	2,893	2,965

	2015/16 £000	2014/15 £000
Compensation for loss of office payable to senior post-holders:		
Compensation payable recorded within staff costs	-	1,230

Notes to the Financial Statements for the year ended 31 July 2016

	Notes	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Consolidated	University	Consolidated	University
		£000	£000	£000	£000
8. Other operating expenses					
Academic departments		12,651	12,651	16,394	16,394
Academic services		7,951	7,997	5,611	5,692
Research grants and contracts		26,050	26,050	23,674	23,674
Administration and central services		16,667	16,578	15,503	15,496
Premises		11,877	12,269	12,724	12,952
Other		3,041	3,146	6,242	6,234
Catering and residences		7,722	7,722	7,317	7,317
		85,959	86,413	87,465	87,759

Other operating expenses include:

External auditors remuneration in respect of audit services		82		81	
External auditors remuneration in respect of non-audit services		-		136	
Internal auditors remuneration		72		100	
Operating lease rentals:					
Plant and machinery	25	7		7	
Office equipment	25	401		272	

		Year Ended 31 July 2016		Year Ended 31 July 2015	
		Consolidated	University	Consolidated	University
		£000	£000	£000	£000
9. Interest and other finance costs					
Loan interest repayable within 5 years		133	133	170	170
Net charge on pension schemes		2,386	2,386	1,809	1,809
		2,519	2,519	1,979	1,979

Notes to the Financial Statements for the year ended 31 July 2016

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
10. Taxation				
Recognised in the statement of comprehensive income:				
Current tax				
UK corporation tax	237	237	2,261	2,261
Total tax expense	237	237	2,261	2,261

UK corporation tax relates to the tax deduction on research and development credits from the UK Government for the year ended 31 July 2015.

	2016	2015
	£000	£000
11. Deficit on continuing operations for the year		
University deficit for the year	(2,003)	(4,495)
Deficit generated by associate and subsidiary undertakings	(755)	(2,800)
Deficit on continuing operations for the year	(2,758)	(7,295)

	Year ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
12. Intangible assets				
Software				
Opening balance	-	-	-	-
Additions in the year	91	91	-	-
Amortisation charge for the year	-	-	-	-
Closing balance	91	91	-	-

The addition during the year relates to costs incurred in the development phases of a software project.

Notes to the Financial Statements for the year ended 31 July 2016

13. Fixed Assets

	Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Assets in the Course of Construction £000	Total £000
Consolidated					
Cost or valuation					
At 1 August 2015	344,385	3,181	72,390	1,478	421,434
Additions	3,187	-	2,614	1,308	7,109
Transfers	1,453	-	-	(1,453)	-
At 31 July 2016	349,025	3,181	75,004	1,333	428,543
Depreciation					
At 1 August 2015	56,814	1,882	52,232	-	110,928
Charge for the year	9,052	159	8,586	-	17,797
At 31 July 2016	65,866	2,041	60,818	-	128,725
Net book value					
At 31 July 2016	283,159	1,140	14,186	1,333	299,818
At 31 July 2015	287,571	1,299	20,158	1,478	310,506

Notes to the Financial Statements for the year ended 31 July 2016

13. Fixed Assets - continued

	Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Assets in the Course of Construction £000	Total £000
University					
Cost or valuation					
At 1 August 2015	343,826	-	72,346	812	416,984
Additions	3,856	-	2,597	1,305	7,758
Transfers	784	-	-	(784)	-
At 31 July 2016	348,466	-	74,943	1,333	424,742
Depreciation					
At 1 August 2015	56,715	-	52,188	-	108,903
Charge for the year	9,041	-	8,585	-	17,626
At 31 July 2016	65,756	-	60,773	-	126,529
Net book value					
At 31 July 2016	282,710	-	14,170	1,333	298,213
At 31 July 2015	287,111	-	20,158	812	308,081

The Group has elected to treat the valuation of property, plant and equipment as deemed cost on transition through the provisions of Section 35 Transition to FRS 102. The Group revalued the majority of its land and buildings resulting in an increase in property, plant and equipment of £87.4m for the Group and University at 1 August 2014.

A full valuation of the University's academic, office, ancillary and support buildings was carried out on 1st August 2014 by Gerald Eve LLP.

At 31 July 2016, freehold land and buildings included £9.0m (2015 - £8.7m) in respect of freehold land and is not depreciated.

At 31 July 2016, land and buildings included £23m (2015 - £24m) in respect of leasehold property.

The University's hall of residence are subject to a service concession arrangement described in Note 14 and are not included in fixed assets.

Notes to the Financial Statements for the year ended 31 July 2016

14. Service Concession Arrangements

On 5 July 2004, the University entered into a 35-year contract with Dundee Student Villages Limited, a company limited by guarantee and with charitable status, whereby certain of the University's halls of residence were sold, or leased, in part or full, to that company.

The agreement provides that the company shall operate and maintain the residences to agreed standards and that the University shall continue to market and allocate rooms to students, and provide them with pastoral care.

The University has no minimum guaranteed payment and therefore no asset and liability to recognise on the Balance Sheet.

15. Non-Current Investments

	Subsidiary companies	Other fixed assets investments	Endowment asset investments	Total
	£000	£000	£000	£000
Consolidated				
At 1 August 2015	-	741	20,888	21,629
Additions	-	-	4,449	4,449
Disposals	-	(139)	(4,538)	(4,677)
Increase in market value of investments	-	22	794	816
At 31 July 2016	-	624	21,593	22,217
University				
At 1 August 2015	105	741	20,888	21,734
Additions	-	-	4,449	4,449
Disposals	-	(139)	(4,538)	(4,677)
Impairment	(105)	-	-	(105)
Increase in market value of investments	-	22	794	816
At 31 July 2016	-	624	21,593	22,217

Other non-current investments consist of:

	Consolidated and University
	£000
Listed investments	2
Index linked government stocks and investment trusts	566
Other	56
	624

Listed investments are held at fair value.

Notes to the Financial Statements for the year ended 31 July 2016

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
16. Trade and other receivables				
Amounts falling due within one year:				
Trade receivables	8,985	8,722	9,254	9,230
Prepayments and accrued income	24,588	24,327	27,102	26,880
Amounts due from subsidiary companies	-	3,508	-	6,581
	33,573	36,557	36,356	42,691

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
17. Cash and cash equivalents				
Short term deposits	26,799	26,799	10,158	10,158
Bank	8,441	5,282	11,020	5,976
Cash on hand	45	45	36	36
	35,285	32,126	21,214	16,170

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Services Authority as instant access or with less than three months maturity at the balance sheet date.

Notes to the Financial Statements for the year ended 31 July 2016

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
18. Creditors : amounts falling due within one year				
Unsecured loans	97	97	97	97
Trade payables	6,819	6,642	6,384	6,396
Social security and other taxation payable	2,981	2,981	2,906	2,906
Accruals and deferred income	70,792	70,033	68,072	67,525
	80,689	79,753	77,459	76,924
Deferred income				
Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.				
Research grants received on account	20,062	20,062	21,720	21,720
Other income received on account	19,968	19,912	20,794	20,779
	40,030	39,974	42,514	42,499

Notes to the Financial Statements for the year ended 31 July 2016

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
19. Creditors : amounts falling due after more than one year				
Deferred income	542	542	1,128	1,128
Unsecured loans	444	444	540	540
	986	986	1,668	1,668
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 18)	97	97	97	97
Due between one and two years	97	97	97	97
Due between two and five years	290	290	290	290
Due in five years or more	57	57	153	153
	541	541	637	637
Due within one year or on demand (Note 18)	(97)	(97)	(97)	(97)
Total secured and unsecured loans	444	444	540	540
Unsecured loans repayable by 2022	541	541	637	637
	541	541	637	637

There are two loans from Salix Limited amounting to £686k repayable in six-monthly, interest-free instalments until April 2022 to fund energy efficient lighting projects of which £444k remains outstanding at 31 July 2016.

The University also has a revolving credit facility of £40 million repayable in 2021. The interest rate is based on LIBOR and at 31 July 2016, the amount drawn down was £nil.

Notes to the Financial Statements for the year ended 31 July 2016

20. Provisions for liabilities

	Obligation to fund deficit on USS Pension (Note 31) £000	Pension enhancement on termination £000	Pension scheme provision under FRS102 (Note 31) £000	Total Pensions Provisions £000	Other £000	Associated Company £000	Total Associated and Other £000
Consolidated							
At 1 August 2015	24,337	6,295	47,772	78,404	5,743	3,908	9,651
Utilised in year	(13,100)	(475)	(4,182)	(17,757)	(303)	-	(303)
Additions in 2015/16	13,518	172	32,245	45,935	1,577	1,105	2,682
Unused amounts reversed in 2015/16	-	(25)	-	(25)	(2,260)	-	(2,260)
At 31 July 2016	24,755	5,967	75,835	106,557	4,757	5,013	9,770

University

At 1 August 2015	24,337	6,295	47,772	78,404	5,743	-	5,743
Utilised in year	(13,100)	(475)	(4,182)	(17,757)	(303)	-	(303)
Additions in 2015/16	13,518	172	32,245	45,935	1,577	-	1,577
Unused amounts reversed in 2015/16	-	(25)	32,245	(25)	(2,260)	-	(2,260)
At 31 July 2016	24,755	5,967	75,835	106,557	4,757	-	4,757

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. The assumptions for calculating the provision are described in Note 31.

Pension enhancement on termination

This reflects the University's commitment 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 2016 was carried out by the University's appointed independent actuary, Xafinity Consulting.

The assumptions for calculating the provision for **pension enhancements on termination** under FRS 102, are as follows:

	Consolidated
Discount rate	1.37
Inflation	2.20

Notes to the Financial Statements for the year ended 31 July 2016

20. Provisions for liabilities - continued

UODS deficit

The obligation to fund the deficit on the University of Dundee's Superannuation Scheme (UODS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. The deficit within the scheme at 31 July 2016 was assessed by the University's appointed independent actuary, Xafinity Consulting. The assumptions for calculating the provision are described in Note 31.

Other provisions

Other provisions include amounts relating to:

	£000
Demolition costs	443
Research grants	2,978
VAT - capital goods scheme	776
Other	560
	<u>4,757</u>

The exact amount and timing of these outflows is uncertain.

Associated Company

The University has a 33.3% holding in Dundee Student Villages (DSV), a company limited by guarantee, which operates and maintains University residences

Proportion of voting rights held	33.3%
Nature of business	Residences
Date of financial information	31 July 2016

	DSV Limited	University share of DSV Limited
	£000	£000
Total funds	(15,043)	(5,014)
Deficit for the year	(3,044)	(1,105)
Total income	6,611	2,204
Total fixed assets	34,764	11,588
Total current assets	10,231	3,410
Liabilities less than one year	(3,123)	(1,041)
Liabilities more than one year	(56,916)	(18,972)

Notes to the Financial Statements for the year ended 31 July 2016

21. Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2016 Total	2015 Total
	£000	£000	£000	£000	£000
Balances at 1 August					
Capital	14,080	5,648	3,763	23,491	22,563
Accumulated income	1,460	-	-	1,460	1,445
	15,540	5,648	3,763	24,951	24,008
New endowments	-	-	358	358	406
Investment income	473	189	15	677	627
Expenditure	(441)	(189)	(356)	(986)	(1,022)
Increase in market value of investments	567	227	-	794	932
Total endowment comprehensive income for the year	599	227	17	843	943
At 31 July	16,139	5,875	3,780	25,794	24,951
Represented by:					
Capital	14,647	5,875	3,780	24,302	23,491
Accumulated income	1,492	-	-	1,492	1,460
	16,139	5,875	3,780	25,794	24,951
Analysis by type of purpose:					
Lectureships	5,418	-	-	5,418	5,208
Scholarships and bursaries	7,268	3,064	164	10,496	10,192
Research support	539	-	3,117	3,656	3,654
Prize funds	2,370	-	62	2,432	2,339
General	544	2,811	437	3,792	3,558
	16,139	5,875	3,780	25,794	24,951
Analysis by asset					
Current and non-current asset investments				21,594	20,888
Cash and cash equivalents				4,200	4,063
				25,794	24,951

Notes to the Financial Statements for the year ended 31 July 2016

22. Restricted Reserves

Reserves with restrictions are as follows:

	Unspent capital grants	Donations	2016 Total	2015 Total
	£000	£000	£000	£000
Balances at 1 August	124	2,128	2,252	7,618
New grants	-	-	-	167
New donations	-	653	653	909
Other income	-	257	257	221
Capital grants utilised	(3)	-	(3)	(6,320)
Expenditure	-	(246)	(246)	(342)
Total restricted comprehensive income for the year	(3)	664	661	(5,365)
At 31 July	121	2,792	2,913	2,253
Analysis of other restricted funds /donations by type of purpose:				
Lectureships			-	-
Scholarships and bursaries			-	-
Research support			-	-
Prize funds			-	-
General			2,792	2,128
			2,792	2,128

23. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2016:

	31 July 2016		31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Commitments contracted for	1,098	1,098	5,025	4,825
Authorised but not contracted for	3,500	3,500	4,725	4,725
	4,598	4,598	9,750	9,550

Notes to the Financial Statements for the year ended 31 July 2016

24. Contingent liabilities

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 Colleges (APUC).

The University has given written undertakings to support the subsidiary companies at twelve months from the date of approval of these financial statements.

25. Lease obligations

Total rentals payable under operating leases:

	Plant and Machinery	Office Equipment	2016 Total	2015 Total
	£000	£000	£000	£000
Payable during the year	7	401	408	279
Future minimum lease payments due:				
Not later than 1 year	7	401	408	279
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
Total lease payments due	7	401	408	279

26. Events after the reporting period

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

Notes to the Financial Statements for the year ended 31 July 2016

27. Bursaries and other student support funds

	2015/16 Childcare £000	2015/16 Discretionary £000	2015/16 Total £000	2014/15 Total £000
Balance at 1 August 2015	-	-	-	-
Refund to Scottish Funding Council	-	-	-	(2)
Allocation received in the year	277	588	865	884
Expenditure	(294)	(573)	(867)	(871)
University contribution to funds	1	1	2	1
Virements	16	(16)	-	(12)
Balance at 31 July 2016	-	-	-	-

Retained by University for students

- - - -

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 statement of comprehensive income.

28. Disclosure of related party transactions

Members of University Court The members of University Court are the trustees for charitable law purposes. Due to the nature of the University's operations and the membership of University Court being drawn from the public and private sectors, 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 University Court may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual 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 29. Transactions and balances between the Group entities have been eliminated on consolidation and have not been disclosed.

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

	2016 £000	2015 £000
Due to Dundee Student Villages	(9)	(7)

In accordance with the agreement with Dundee Student Villages, the University transferred £7.9m of student rental income to Sanctuary Housing Association.

Conference and room hire amounting to £59k was purchased from West Park Centre Limited, a trading subsidiary of Dundee Student Villages. Sales to Dundee Student Villages in respect of gas safety testing amounted to £29k.

Notes to the Financial Statements for the year ended 31 July 2016

29. Subsidiary undertakings

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

Company	Purpose	Number of Shares	Percentage Owned
Dundee University Utility Supply Company Limited SC124982	To generate heat and power solely for the University.	2	100%
Dundee University Project Management Limited SC157801	To manage professional fees on major capital build projects.	1	100%
AMGET Limited SC203791	The company is no longer trading. Formerly, it promoted, developed and commercialised novel technology.	100	74%
University of Dundee Nursery Limited SC230105	To promote the care and education of children of staff and students of the University.	Limited by Guarantee	100%
Dundee University Press Limited SC243332	The company is no longer trading. Formerly, it operated as a specialist publishing company, producing academic and specialist titles for student, library, research and other professional markets.	150,000	70.1%
Dundee University Incubator Limited SC176751	To support new ventures by managing incubator units.	147,000	100%

Notes to the Financial Statements for the year ended 31 July 2016

30. 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 2016 on the total funds of the University of Dundee Nursery Limited, as reported in its financial statements, was as follows:

	At 1 August 2015	Income	Expenditure	Change in market value	At 31 July 2016
	£000	£000	£000	£000	£000
Consolidated (see Note 29)					
University of Dundee Nursery Limited (SC032969)	207	327	(382)	-	152

The financial statements of the Centenary Trust of Duncan of Jordanstone College of Art to 31 July 2016 have not yet been prepared. The financial statements for the year to 31 July 2015 show the movement in the year on the total funds as follows:

	At 1 August 2014	Income	Expenditure	Change in market value	At 31 July 2015
	£000	£000	£000	£000	£000
Not consolidated					
Centenary Trust of Duncan of Jordanstone College of Art (SC020617)	118	2	-	-	120

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.

Notes to the Financial Statements for the year ended 31 July 2016

31. Pension Schemes

Different categories of staff were eligible to join one of three different schemes:

- Universities Superannuation Scheme (USS)
- University of Dundee Superannuation and Life Assurance Scheme (UODS)
- National Health Service Pension Scheme (NHS)

In addition, contributions are paid in respect of members of the following schemes which are closed to new employees:

- Tayside Superannuation Fund (TSF)
- Strathclyde Pension Fund (SPF)
- Scottish Teachers Superannuation Scheme (STSS)
- Medical Research Council Pension Scheme (MRC)

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).

The STSS is unfunded, multi-employer, defined benefits scheme. As there are no underlying assets and liabilities, the University has accounted for its contributions as if it were a defined contribution scheme.

For reasons of materiality, the University has accounted for its contributions to the two local government schemes, TSF and SPF, and the MRC as if these were defined contribution schemes.

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

	Year Ended 31 July 2016	Year Ended 31 July 2015
Note	£000	£000
USS	12,798	23,286
UODS including FRS 102 adjustments	3,808	3,113
Other pension schemes	758	738
	7	27,137

Notes to the Financial Statements for the year ended 31 July 2016

31. Pension Schemes - continued

1. Universities Superannuation Scheme (USS)

The Universities' Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual universities and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other universities' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102(28), accounts for the scheme as if it were a defined contribution scheme.

As a result, the amount charged to comprehensive income represents the contributions payable to the scheme in respect of the accounting period, as adjusted for FRS 102.

Following the latest available full actuarial valuation of the scheme at 31 March 2014, carried out using the projected unit method, the contribution rate payable by the University to USS was 16% of pensionable salaries to 31 March 2016 and 18% thereafter. The level of contribution has been determined by the trustees, after consultation with the employers, as part of a recovery plan designed to recover the deficit in the pension's fund over a period ending 31 July 2031.

Having agreed a deficit recovery plan, it is necessary to assess and create a provision to account for the ongoing cost of future employees within the scheme and salary payment over the period of the contracted obligation (Note 20).

The assumptions used to determine the provision and the amounts to be recognised in comprehensive income are set out below.

For years 2016/17 to 2030/31

Pensionable payroll growth assumptions	2% - 3%
Staff changes	(1)% - 0%
Effective deficit contribution rate	1.4% - 2.5%
Discount rate for high quality corporate bond	1.71%

The amounts recognised in comprehensive income are:

	Year Ended 31 July 2016	Year Ended 31 July 2015
Staff costs:	£000	£000
Employer contribution allocated to scheme deficit	(1,022)	(2,004)
Difference between expected and actual contributions	720	12,464
	(302)	10,460
Employer contributions payable	13,100	12,826
	12,798	23,286
Net interest expense:		
Unwinding of discount rate	720	399

Movement in provision (Note 20):

Utilised in year:		
Employer contributions payable	(13,100)	(12,826)
Additions in 2015/16:		
Employer contributions adjusted for FRS 102	12,798	23,286
Unwinding of discount rate	720	399
	13,518	23,685

Notes to the Financial Statements for the year ended 31 July 2016

31. Pension Schemes - continued

1. Universities Superannuation Scheme (USS) - continued

Since the University cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4% thereafter
Pension increases (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality 98% of S1NA ["light"] YoB tables - No age rating

Female members' mortality 99% of S1NA ["light"] YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement age at age 65 are:

	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	2016	2015
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

Notes to the Financial Statements for the year ended 31 July 2016

31. Pension Schemes - continued

2. University of Dundee Superannuation Scheme (UODS)

The University sponsors a funded defined benefit pension scheme that non-academic employees of the value University can participate in, called the University of Dundee Superannuation and Life Assurance Scheme (UODS). The scheme is set up on a tax relieved basis as a separate trust independent of the University and is supervised by independent trustees. The trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that scheme assets are appropriately invested.

Active members of the scheme pay contributions at the rate of 7.75% of salary and the University pays the balance of the cost as determined by regular actuarial valuations. The University currently pays 13.8% of salary in respect of future accrual, and 8.3% of salary to fund the deficit disclosed at the last valuation as at 31 July 2014. This level of contribution (including death in service) has been fixed to recover the deficit in the pension's fund, identified in the triennial valuation, over a period ending 31 October 2024.

The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates.

A formal actuarial valuation was carried out as at 31 July 2014. The results of that valuation have been projected to 31 July 2016. The figures in the following disclosure were measured using the projected unit method.

Retirement Benefits Disclosure for the accounting period ending 31 July 2016.

Under the definitions set out in FRS 102(28), UODS is a defined benefit pension scheme. The disclosures for the determination of the net pension liability by the actuary are set out below.

The amounts recognised in the statement of financial position are as follows:

	Year Ended 31 July 2016	Year Ended 31 July 2015
	£000	£000
Defined benefit obligation	(173,014)	(141,211)
Fair value of plan assets	97,179	93,439
Net defined benefit liability	(75,835)	(47,772)

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included profit or loss. Remeasurements of the net defined liability are included in other comprehensive income.

	Year Ended 31 July 2016	Year Ended 31 July 2015
	£000	£000
Service cost:		
Current service cost (net of employee contributions)	3,808	3,113
Net interest expense	1,666	1,410
Charge recognised in profit or loss	5,474	4,523
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in net interest expense)	1,549	(3,707)
Actuarial loss	25,222	17,056
Charge recorded in other comprehensive income	26,771	13,349
Total defined benefit cost	32,245	17,872

Notes to the Financial Statements for the year ended 31 July 2016

31. Pension Schemes - continued

2. University of Dundee Superannuation Scheme (UODS) - continued

	At 31 July 2016	At 31 July 2015
The principal actuarial assumptions used were:		
Liability discount rate	2.34%	3.50%
Inflation assumption - RPI	3.00%	3.50%
Inflation assumption - CPI	2.00%	2.50%
Rate of increase in salaries	3.00%	3.50%
Revaluation of deferred pensions:		
Benefits accrued prior to 1 August 2011	2.00%	2.50%
Benefits accrued after 1 August 2011	2.00%	2.50%
Increases for pensions in payment:		
Benefits accrued prior to 6 April 1997	3.00%	3.00%
Benefits accrued after 5 April 1997	3.50%	3.70%
Benefits accrued after 1 August 2009	3.00%	3.40%
Benefits accrued after 1 August 2011	2.00%	2.50%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end	85.0	84.9
Female aged 65 at year end	85.0	84.9
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end	86.7	86.6
Female aged 45 at year end	86.7	86.6

Notes to the Financial Statements for the year ended 31 July 2016

31. Pension Schemes - continued

2. University of Dundee Superannuation Scheme (UODS) - continued

	Assets £000	Liabilities £000	Total £000
Reconciliation of scheme assets and liabilities			
At start of period	93,439	(141,211)	(47,772)
Benefits paid	(3,664)	3,664	-
Current service cost	-	(3,808)	(3,808)
Contributions from the employer	4,182	-	4,182
Contributions from the employees	1,466	(1,466)	-
Interest income / (expense)	3,305	(4,971)	(1,666)
Return on assets (excluding amount included in net interest expense)	(1,549)	-	(1,549)
Actuarial loss	-	(25,222)	(25,222)
At end of period	97,179	(173,014)	(75,835)

The return on plan assets was:

	Year Ended 31 July 2016 £000	Year Ended 31 July 2015 £000
Interest income	3,305	3,573
Return on plan assets (excluding amount included in net interest expense)	(1,549)	3,707
Total return on plan assets	1,756	7,280

The major categories of scheme assets are as follows:

	Year Ended 31 July 2016 £000	Year Ended 31 July 2015 £000
UK Equities	66,988	68,005
Corporates	5,681	4,063
Gilts	22,357	18,333
Annuities	534	511
	1,619	2,527
Total market value of assets	97,179	93,439

The Scheme has no investments in the University or in property occupied by the University.

Notes to the Financial Statements for the year ended 31 July 2016

32. Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a) Pensions - University of Dundee Superannuation Scheme (UODS)

The liability for the UODS scheme is shown in Note 31. The latest valuation of the scheme was carried out with effect from 31 July 2014 and the liabilities for these accounting disclosures have been calculated by rolling forward the valuation liabilities from that valuation date to 31 July 2016 by the actuary, Xafinity Limited, using payroll and benefit information provided by the University. The resulting liabilities have then been adjusted to reflect the different assumptions used. The accounting disclosures are therefore heavily dependent on the results of the 31 July 2014 funding valuation. This approach is not as accurate as if the actuary had used actual census information as at 31 July 2016, but it is appropriate for the purpose of these disclosures and is in accordance with the provisions of FRS 102. Material changes to the membership profile since the 31 July 2014 funding valuation could result in the approximate approach producing materially inaccurate figures for the purpose of FRS 102.

The results are highly sensitive both to the actuarial assumptions used and to market conditions. The pension cost disclosures under FRS 102 are likely to remain volatile in future years. This is because the liabilities are discounted by reference to corporate bond yields whereas the scheme invests a significant proportion of its assets in equities and other return-seeking investments.

The key actuarial assumptions as at 31 July 2016 are set out in Note 31.

b) Pensions - Universities Superannuation Scheme (USS)

USS is a multi-employer scheme and the University has entered into an agreement with the scheme that determines how the deficit will be funded. It results in recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The University has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The University has chosen to use the modelling tool provided to members by the British Universities Directors of Finance Group (BUFDG) to calculate the FRS 102 provision. In order to calculate the present value of future contributions to the deficit recovery, the modelling tool requires a single discount rate input variable. FRS 102 requires that the discount rate should be based on the yield on "high quality corporate bonds". This is often taken to be a bond that has been rated at the level of AA status.

The appropriate discount rate depends on the level of pensionable salaries in each future year of the recovery plan. Sensitivity of the results to the salary growth rate has been tested at 5% p.a. uniform salary growth over the recovery period and it shows that the discount rate is not particularly sensitive to rate of pensionable salary increases.

The single discount rate used based on a constant salary roll is 1.71%.

c) Provisions and contingent liabilities

The University exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Provisions and contingent liabilities are disclosed in Notes 20 and 24 respectively.

d) Going concern

The financial position and strategy of the University, including details of its long term borrowing facilities, are set out in the Financial Review on pages 12-17. The financial statements continue to be prepared on a going concern basis as the University Court considers that the University has adequate financial resources to continue in operational existence for the foreseeable future.

Notes to the Financial Statements for the year ended 31 July 2016

33. Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

Financial position	Note	1 August 2014		31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
Total reserves under 2007 SORP		5,852	9,165	(4,927)	(1,517)
Asset revaluation	1	87,395	87,395	85,858	85,862
Non-current investments	2	20,048	20,048	20,888	20,888
Endowment assets	2	(24,008)	(24,008)	(24,951)	(24,951)
Current investments	2	(7,227)	(7,227)	(6,095)	(6,095)
Cash and cash equivalents	2	11,188	11,188	10,158	10,158
Grant income	3	1,905	1,921	3,000	3,000
Holiday pay accrual	4	(3,300)	(3,300)	(3,300)	(3,300)
USS pension provision	5	(13,478)	(13,478)	(24,337)	(24,337)
Capital grant income	6	141,027	138,312	141,521	141,521
Endowments	6	24,008	24,008	24,951	24,951
Total effect of transition to FRS 102		237,558	234,859	227,693	227,697
Total reserves under 2015 SORP		243,410	244,024	222,766	226,180

Notes to the reconciliation of reserves

- Section 35 of FRS 102 allows entities to revalue assets as deemed cost at the date of transition. The University decided to adopt a revaluation of selected land and buildings at the date of transition as well as reviewing capital thresholds. As a result, the value of land and buildings as at 1 August 2014 increased by £87,395k and at July 31 2015 by £85,858k. In addition, depreciation charges in 2015 were reduced by £192k, reflecting the change in equipment capitalisation threshold.
- Endowment asset investments reclassified as non-current investments (equities and convertibles), current investments (deposits maturing after 3 months), and cash and cash equivalents (deposits maturing within 3 months or on demand).
- Release to other income of non-government grants previously held as accrued income.
- Section 28 of FRS requires an accrual for paid annual leave.
- Provision for Universities Superannuation Scheme (USS) deficit recovery.
- Reclassification of deferred capital grants and endowments as reserves.

Notes to the Financial Statements for the year ended 31 July 2016

33. Transition to FRS102 and the 2015 SORP - continued

Financial performance	Note	Year ended 31 July 2015	
		Consolidated £000	University £000
Surplus for the year under 2007 SORP		3,739	3,836
Asset revaluation	1	(1,538)	(1,533)
Endowments	2	944	944
Investments appreciation in value	2	10	10
Grant income	3	1,078	1,078
Capital grant income	3	510	3,208
USS pension provision	4	(10,460)	(10,460)
UODS pension provision	5	(13,349)	(13,349)
Pension interest	6	(1,578)	(1,578)
Total effect of transition to FRS 102		(24,383)	(21,680)
Total comprehensive income for the year under 2015 SORP		(20,644)	(17,844)

Notes to the reconciliation of surplus/(deficit)

1. A review of capitalisation thresholds resulting in changes to capital grants, other operating expenditure and depreciation.
2. Items formerly disclosed in the Statement of Group Total Recognised Gains and Losses (STRGL)
3. Release to other income of grants previously held as accrued income.
4. Increase in USS provision in respect of deficit recovery.
5. UODS actuarial loss formerly disclosed in the STRGL as adjusted by the actuary for the return on scheme assets.
6. Adjustment for UODS interest £1,179k and USS interest £399k.

Cash Flows

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents as shown above.



