



University of Dundee

Reports and  
Financial Statements  
2018/19

2018/19

# A high performance community...

transforming lives  
locally and globally

# Contents

<b>Statement by the Chair of Court</b>	<b>4</b>
<b>University of Dundee Achievements 2019</b>	<b>6</b>
<b>Strategy</b>	<b>8</b>
<b>Financial Review</b>	<b>12</b>
<b>Corporate Governance</b>	<b>19</b>
<b>Independent Auditor's Report</b>	<b>28</b>
<b>Financial Statements</b>	<b>31</b>
Consolidated and Institution Statement of Income and Expenditure	32
Consolidated and Institution Statement of Changes in Reserves	33
Consolidated and Institution Balance Sheet	34
Consolidated Cash Flow	36
Statement of Principal Accounting Policies	37
Notes to the Financial Statements	41

## Statement by the Chair of Court



The past year has brought us much to celebrate in the achievements of the University, our staff and students.

Without question my personal favourite is our placing in the National Student Survey. As the climate for Higher Education becomes ever more competitive, and prospective students become ever more discriminating, I am delighted that we score so highly in this important measure. Many people have contributed to this outcome and I am grateful to them all.

Our recently signed agreement with North Eastern University in China is also worth mentioning. We were one of only four UK universities in the most recent approvals round to be granted permission to enter into a Chinese Joint Educational Partnership, and the only one whose partnership was with one of China's elite World First Group. The School of Science and Engineering is to be warmly congratulated on this prestigious achievement which will ultimately result in students studying for a University of Dundee degree in China or Dundee, with 120 Chinese students annually spending at least a year in the City of Dundee.

We are of course a research-intensive university and we continue to make great breakthroughs and perform very strongly in attracting research funding. Over the past year this has included projects as diverse as our work in the global battle against antimicrobial resistance, one of the major health problems facing the world in the 21st century, to the multi-million pound Innovation for Games and Media Enterprise (InGAME) project, which will establish a dedicated research and development centre for the Dundee video games cluster.

It is worth noting that during the year we attracted staff from the UK and abroad to senior positions within the University. Brexit is a challenge on our horizon but, thus far, our reputation has been sufficient to mitigate its worst effects.

Though it is important to pause and celebrate these and all the other achievements a major part of Court's work is to be constantly looking forward.

If we are to be able to continue to deliver success locally and globally we need to ensure that we are financially sustainable. Scottish Government funding alone is insufficient for us to be able to fulfil our potential, so we must look to other sources of income. This requires us to attract more students, both undergraduate and postgraduate, who are drawn by our outstanding teaching, research, the student experience and quality of life in Dundee. We need to continue to punch above our weight in winning competitive research funding. All of this in turn needs top quality facilities and support for our staff and students.

During the course of this year Court will make a number of decisions, both in terms of borrowing and investing, which will reflect our ambition for and confidence in the future of this outstanding institution. We will work very closely with the University Executive Group and with our students to make sure that we invest wisely for the benefit of current and future generations.

Finally I wish to record my thanks to all my fellow Court members who give freely and enthusiastically of their time, and to all the staff, students and supporters who have contributed to another successful year for the University of Dundee.

A handwritten signature in blue ink, appearing to read 'Ron Bowie'. The signature is stylized and fluid.

**Ronald Bowie**  
Chair of Court



# University of the Year for Student Experience

*Sunday Times Good University Guide 2020*

---

The Sunday Times named us University of the Year for Student Experience, citing our outstanding scores for teaching quality and the wider student experience.



## University of Dundee Achievements 2019

### One of the best places in the UK to study

We rank 4th in the UK for overall satisfaction in the 2019 National Student Survey, our best ever result.

Our overall satisfaction rose from 88% to 90%. We are top in Scotland for Learning Resources and Students' Union and top in the UK for overall satisfaction in subjects including Children's Nursing, Dentistry, Environmental Sciences, Molecular Biology, Biophysics and Biochemistry and Physical Geographical Sciences.

In the Autumn 2018 International Student Barometer Survey we recorded overall average satisfaction of 89.6% among our students, the second highest score in the UK and 6th globally.

Our excellent performance on these measures helped us be named University of the Year for Student Experience in The Sunday Times Good University Guide 2020 (published September 2019).

### Making an impact

In 2019 we were named as one of the top 20 in the world in Times Higher Education's University Impact Rankings, which measures universities according to their contribution to delivery of the UN Sustainable Development Goals.

### An award-winning university

We were named Scotland's top university at The Herald Higher Education Awards in June 2019. We also collected four further awards on the night, recognising the impact of staff and students;

- Outstanding Contribution from a Student for Rawad Qaq, who made the journey from war in his homeland of Syria to study at the University on a Humanitarian Scholarship
- Outstanding Contribution from a Staff Member for Professor Kurt Mills' work on the Scottish Human Rights Defender Fellowship
- Outstanding Contribution to the Local Community, together with Abertay University, for our roles as founding partners of VandA Dundee
- Outstanding Marketing Campaign of the Year for the #DiscoverDundee campaign which has contributed to a sector-leading rise in international student recruitment

In November 2018 Times Higher Education awarded us their DataPoints Merit Award, which looked at how research performance matched outcomes in global reputation surveys. This followed THE identifying Dundee among the universities which are 'small superstars with a bright future'.

A track record for research excellence

- In 2016 Reuters declared Dundee as Scotland's Most Innovative University
- In 2017 Nature Innovation Index named us Best in the UK at Influencing Innovation
- In 2018 Dundee was named the World's Most Influential Research Institution in Pharmaceuticals by Clarivate Analytics
- In 2019 the CWTS Leiden rankings placed us 15th in the world for the Highest Proportion of Highly Cited Publications, just behind Oxford and Cambridge and the highest placed university in Scotland in this important marker of research quality

### A knight of science

Mike Ferguson, Regius Professor of Life Sciences and one of the UK's most eminent life scientists, was awarded a knighthood in HM The Queen's New Year's honours list.

Professor Ferguson helped build the Drug Discovery Unit in the University's School of Life Sciences and contributed to the establishment of the Wellcome Centre for Anti-Infectives Research. In 2012 he became a Director of the Medicines for Malaria Venture, supporting their mission to eliminate malaria.

In 2012 he was appointed a Governor of the Wellcome Trust, becoming Deputy Chair in 2017. He is a fellow of the Academy of Medical Sciences, the Royal Societies of London and Edinburgh and member of EMBO.



## Teaching Gold

---

Our teaching received the highest possible award of Gold in the inaugural Teaching Excellence Framework, the major assessment of teaching quality in UK higher education.







## Strategy to 2022

Our strategy supports the core purpose, vision and values of the University.

### Our core purpose

The University's core purpose is to transform lives, locally and globally through the creation, sharing and application of knowledge.

### Our values

Our core values determine how we will achieve this ambitious vision. We will do this by valuing people, working together and with integrity, making a difference and pursuing excellence.

### Our vision

We will be recognised as Scotland's leading university.

### Our community

We will achieve our goals by working as a community committed to excellence. In doing so we will benefit our city and region by acting as a key gateway to the world. Our impact will be felt around the globe.

We are working towards our 25 year vision in five year strategies. To give an indication of what can be achieved in the next five years we need only look at our progress from 2012 to 2017.

- We have improved our position across all of the major university rankings.
- We have increased our income from teaching and broadened our horizons, welcoming students from more countries than ever before.
- We have progressed further than any other Scottish university in widening access to higher education.
- We have improved our student retention and graduate employment and are now among the top institutions in the UK.
- We have been named among Europe's most innovative universities, reflecting the strength of our research. In the Research Excellence Framework we ranked first in the UK for biological sciences and top for the STEM subjects (Science, Technology, Engineering and Maths) and Art and Design in Scotland.

All of this has taken us significantly towards our goal of becoming Scotland's leading university. In these next five years we will climb even higher.

Our strategy to 2022, launched in September 2017, has at its heart the idea of a 'high performance community'. Developing our community over the next five years will ensure that we can achieve far more than the sum of our parts. We will work together across disciplines to deliver research with impact, teaching that develops enterprising and employable graduates, and teams of problem solvers drawn from our academic and professional service groups.

Dundee is an extraordinary university, making a significant economic, social and cultural impact. Our Strategy to 2022 can set us on the path to doing many more great things and have a transformative effect on the wider community around us.

We expect to use the knowledge we create and share to drive innovation and social transformation in our region, winning international recognition. If we can capitalise on the collaborative advantage within our community and with our partners, we will be a focal point for wider social, cultural and economic transformation.

# An international institution

---

With around 17,000 students from over 140 countries, and 3,000 staff from over 70 countries, Dundee is a truly global institution, with a thriving international community.

The results of Autumn 2018 International Student Barometer survey showed overall average satisfaction of 89.6% among Dundee students, the second highest score in the UK and 6th globally.



## 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, Estates and Campus Services, Library and Learning Centre, Finance and Procurement, Student Services, External Relations, and the Institute of Sport and Exercise. The School of Business was established on 1st August 2019.

	Staff numbers (FTE)	Student Numbers (Headcount)	Student Numbers (FTE) <sup>1</sup>	Expenditure £m
School of Art and Design	126	1,387	1,273	9.5
School of Dentistry	77	403	392	7.0
School of Education and Social Work	109	1,915	1,547	6.8
School of Humanities	69	1,553	1,269	4.8
School of Life Sciences	646	903	863	53.7
School of Medicine	617	2,680	1,420	41.3
School of Nursing and Health Sciences	97	2,488	1,751	6.9
School of Science and Engineering	189	1,980	1,846	13.7
School of Social Sciences	199	3,679	3,385	15.0
Professional Services	884	543	226	74.0
Other	-	-	-	78.7
	<b>3,013</b>	<b>17,531</b>	<b>13,972</b>	<b>311.4</b>

<sup>1</sup> Student FTE is shown on a teaching school basis so reflects the relative proportion of teaching of each student done by each school.

## Student Partnership

Students are at the heart of what we do, which is illustrated by our sector-leading approach to student representation. Students form a part of our governing bodies, committees and appointing panels for important posts such as the Chair of Court, the Principal, Vice- Principals, Deans and Directors. Student opinion is central to our community and we are committed to responding to their feedback and driving enhancement. This is reflected in our consistently strong record for student experience, as seen in the major surveys of student opinion such as the National Student Survey and the Times Higher Student Experience Survey.

Each year DUSA and the University sign a Student Partnership Agreement setting out key priorities for the year ahead and the overarching principles we agree. We will continue to agree and set our priorities in this way. We will develop and enhance our approach to Student Partnership Agreements to ensure impact for the student body across the Schools and Disciplines. We will continue to work together to further strengthen and develop student representation and the student voice across the University.

## Financial Review

### Results for the year

In common with other participating employers under the Universities Superannuation Scheme (USS), the results for the year ended 31 July 2019 include a substantial adjustment in relation to the finalisation of the 2017 actuarial valuation. The adoption of the deficit recovery plan for the 2017 actuarial valuation has given rise to a significant increase in the deficit provision. The increase is £48.4m, of which £47.9m is reported within staff costs and £0.5m is reported within interest payable in the Statement of Comprehensive Income. The underlying deficit position is as follows:

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Reported deficit for the year	(54,079)	(8,059)
Impact of 2017 USS valuation	48,362	-
Underlying deficit for the year	(5,717)	(8,059)

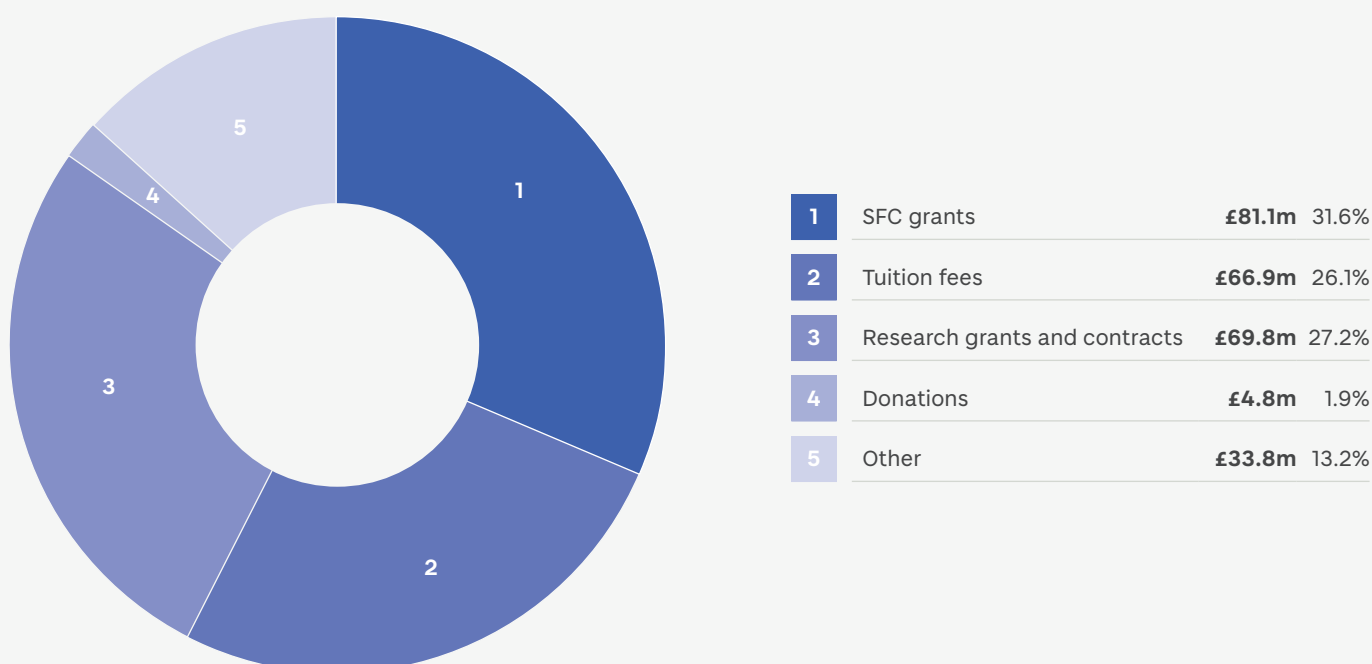
This major item is a movement on the USS provision and does not represent an inflow or outflow of cash. Since the year end, following completion of the 2018 USS actuarial valuation, a new deficit recovery plan has been agreed. This will result in a significant reversal of the provision, which will be reflected in the University's Financial Statements for the year ended 31 July 2020. More information on this is provided in the Pensions section of this review and in note 31 to the Financial Statements.

The Group reports net assets of £147.6m at 31 July 2019, a decrease of £62.1m in the year driven mainly by the impact of significant pension adjustments. The cash balance has reduced to £25.7m (2018: £40.5m). Net cash from operating activities was an outflow of £3.3m, which was £8.5m lower than in 2017/18. This is driven by adverse working capital movements and additional deficit recovery contributions to the University of Dundee Superannuation Scheme of £6.9m. The Group did not take any additional bank loan finance during the year and continues to hold minimal levels of long-term loans relative to the majority of the Higher Education sector.

Despite an improved operating performance in the year, the Group reported an underlying deficit (excluding pension adjustments) of £5.7m (2018: £8.1m). The reported deficit for the year (including the USS adjustment) is £54.1m (2018: £81m).

### Income

Total income increased by 3.9% to £256.4m.



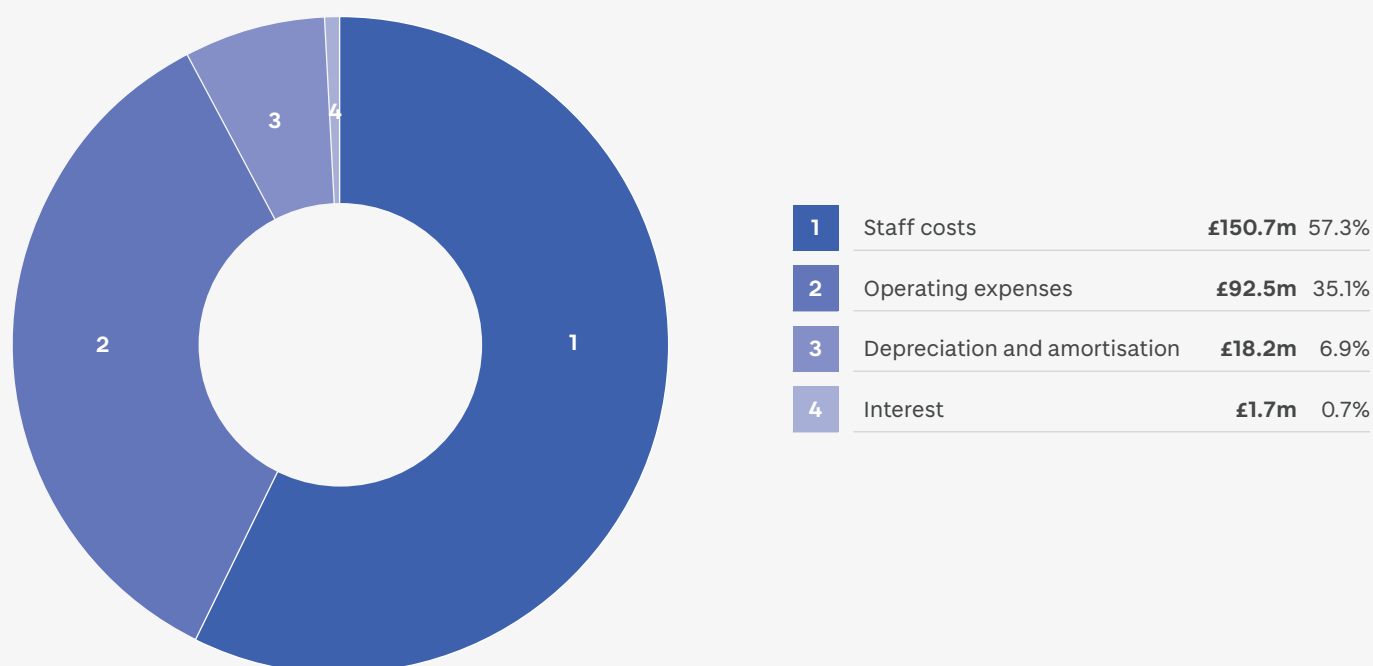
Total grant income from the Scottish Funding Council increased by 3.2% to £81.1m. This was attributable to increases related to funding for the Research Excellence Grant and the University Innovation Fund.

Tuition fee income has grown by 17.8%, increasing by £10.1m to £66.9m. Increasing tuition fee income, both in absolute terms and as a proportion of the University's income is one of the essential foundations of its future financial sustainability. It is a positive indication that the rate of growth has been sustained for the fourth successive year, in a challenging market characterized by strong competition for international students and for non-Scottish students from the rest of the UK. This performance is being primarily driven by overseas tuition fees, where the University has been able to apply price increases to match market pricing and drive growth in volume, with total overseas tuition fees up by 31.0%. The University's budget incorporates further growth over the next five years and it is monitoring closely potential external risks and, where appropriate, will seek to implement mitigating strategies.

Research income has reduced by 5.8%, decreasing by £4.3m to £69.8m, reflecting an anticipated decrease in EU related activity and funding. Overhead recovery from research activity was flat in the year despite reduced income. The University continues to be one of the most research-intensive institutions in the UK, reflecting the quality of its research in many areas

## Expenditure

Total expenditure (excluding the impact of the USS adjustment to staff costs and interest) increased by 2.9%, an increase of £7.4m to £263.1m (2018: £255.7m).



Staff costs have risen by 4.1%, increasing by £5.9m to £150.7m. Staff numbers remained broadly stable during the year, with an increase of seventy-eight to 3,014 FTE. Expenditure increased due to incremental progression by staff within the pay scale and 2.0% cost of living pay award. Staff costs as a percentage of total income remained stable at 58.8% (2018 58.7%) as staff costs have increased at broadly the same rate as income.

Other operating expenses increased by 7.2%, to £92.5m as a result of increased scholarships and higher recruitment costs reflecting higher numbers of overseas students.

Depreciation and amortisation decreased by 17.5% to £18.2m. This includes an impairment of £2.5m as described in Note 12.

## Other gains and losses

The Group made a gain on its endowment investments of £1.0m in the year. These investments are managed on its behalf by external fund managers.

## Remeasurement of pension scheme liability

This figure relates to the University of Dundee Superannuation Scheme (UoDS). In September 2018 the University reached agreement with UoDS to increase cash funding by a single payment of £5m followed by annual payments of £1.9m. The FRS102 valuation shows an overall £8m decline which includes two additional adjustments recognized as past service costs. These are a 0.4% increase in liabilities (£0.7m) due to the Guaranteed Minimum Pension (GMP) ruling and the resolution of two historic issues relating to benefits equalisation and Later Additional Earnings (LEA) which resulted in a £1.1m decrease in valuation.

## Net assets

At 31 July 2019 the University net assets were £147.5m, a decrease of £62.1m on the prior year as a result of the underlying deficit combined with the USS and UoDS pension adjustments.

Capital expenditure of £17.5m included major refurbishment of laboratory and teaching space across a number of Schools to meet student and research needs and continued investment in IT systems and infrastructure.

Net current liabilities increased by £11.7m during the year to £27.0m. This movement is primarily attributable to a reduction in cash and cash equivalents.

The pension scheme liability relates primarily to the USS and UoDS pension arrangements, which increased this year from £83.3m to £136.0m based on actuarial advice.

## Cashflow and Treasury

Cash and cash equivalents reduced by £14.8m over the year to stand at £25.7m. Net cash from operating activities was an outflow of £3.3m, which was £8.5m lower than in 2017/18. This was impacted by planned earlier supplier payments of £5.0m to accommodate the impact of transition to a new finance system, this will reverse in 2019/20. The year on year movement is also driven by additional UoDS pension payments of £5.8m.

The University has in place a £40m revolving credit facility, expiring in May 2021, against which there have been no drawings since its inception. No additional bank loan facilities have been taken during the year.

Endowment assets of £25.3m continue to be managed by independent fund managers whose performance is monitored by the University's Finance and Policy Committee.

## Supplier payments

The University supports the Prompt Payment Code in its relationship 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 2019 the University had an average of only 5 days' purchases outstanding in trade creditors (2018: 22 days) reflecting a planned low year end creditor balance due to systems changes. Interest paid under the Late Payment of Commercial Debts (interest) Act 1998 was £18.

## Pensions

The University contributed to two main pension schemes for its employees during the year, the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation Scheme (UoDS) and both were subject to formal triennial valuations at 31 March 2017. A detailed analysis of these schemes is given at note 31 of the financial statements.

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee Benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme of £15.5m together with additional provision of £47.9m. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £22.0m, a decrease of £41.4m from the current year end provision.

The 2017 valuation for UoDS was completed in September 2019 which included agreement to increase cash funding to address the scheme deficit. This has resulted in a one off payment of £5m in 2018/19, plus additional payments of £1.9m pa until 2031, inflated at 3% pa.

## Future Financial Outlook

The University of Dundee, in common with many other Higher Education institutions, faces a challenging funding environment. The numbers of Scottish students that we are able to recruit remains capped by the Scottish government and funding levels are on a flat cash basis. Competition for international students is fierce, both from within the UK and abroad. The University has had notable success in growing its unregulated income but the cost base continues to grow at a faster pace. The future cost of pensions remains a high risk to financial sustainability and is a concern shared by much of the Higher Education sector.

A key aim within the next five-year stage of the University's Strategy to 2022 is to deliver sustainable ambition, enhancing financial performance to enable investment in the estates and infrastructure required to deliver our core purpose. We will focus on achieving efficiency and driving profitable income growth in order to continue to progress towards our 25 year vision to be recognised as Scotland's leading university.



## Equality and Diversity

The University of Dundee is committed to advancing equality, diversity and inclusion for its students, staff and the community. Through maintaining a positive and supportive environment for staff, students and visitors alike, we strive to achieve our overarching strategic aim of being a high performance community. [dundee.ac.uk/strategy/#our-purpose](https://dundee.ac.uk/strategy/#our-purpose)

The University's commitment also includes providing and maintaining an environment that is free from unlawful discrimination and any forms of harassment, bullying or victimisation of individuals because of age, disability, gender identity, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

The University's strategic goals and indicators demonstrate our overarching alignment with the Scottish Funding Council Outcome Agreement and the Public Sector Equality Duty (PSED) requirements.

In April 2019 we published a number of reports that show how we are fulfilling and progressing our obligations under the Specific Duties in Scotland. The reports include: Equality Mainstreaming and Outcomes Update Report 2019, Employee equality information and Pay Gap information (Gender, Race and Disability) including occupation segregation.

Our Mainstreaming and Equality Outcome Plans progress reports demonstrate embedding of Equality and Diversity into our processes and practices to effect an institutional cultural change. Our policies and practices that promote EDI include our Equality and Diversity Policy, activities related to gender and transgender (Athena SWAN), LGBT (Stonewall Workplace Equality Index), BME staff and race (Race Equality Charter) and formal staff networks and initiatives and actions through our commitment to the Concordat for the Career Development of Researchers.

This year we have:

- Restructured our EDI governance and management framework to facilitate mainstreaming across the University including establishing EDI committees in Schools and Professional Services with dedicated EDI Coordinators appointed to progress the equality agenda
- Established an Academic Promotions Mitigating Circumstances Review Group to ensure that academic staff with equality-related individual circumstances are not disadvantaged during the annual promotion round
- Been awarded an institutional Athena SWAN bronze award and achieved bronze awards in five Schools and a silver award in one School
- Continued to support research staff through the Concordat for the Career Development of Researchers as evidenced by the retention of our HR Excellence in Research Award and reflected in our practices, including establishing cross-institutional mentoring schemes for academic and professional services staff

- As evidenced in our 2019 pay gap report, reduced our average gender pay gap by 1.87%, average ethnicity pay gap by 2.11% and average disability pay gap by 8.93% between 2016 and 2018: whilst our gender pay gap remains significantly in favour of male members of staff, the average ethnicity and disability pay gaps are slightly in favour of these groups
- Revised the Dignity at Work and Study Policy and Procedure to support staff and students in addressing issues relating to harassment and bullying including appointment of harassment advisers across the University

## Disability Services

Our Disability Services continues to provide support for students and staff with a range of disabilities. They provide not only support for our own staff and students, but also carry out assessments for other Universities and colleges through their Access Centre. Policy development over the past two years has focused on mental health issues and the development of two key pieces of strategy/guidance:

- A cohesive mental health strategy in liaison with University Health Services
- Publication and implementation of the University British Sign Language Plan.

## Key Facts and Figures

- Over 2000 students (12% of the student population) disclosed a disability to the University
- 1602 students registered with Disability Services for additional support; an increase of 13% compared to the previous year
- Over 4000 individual student appointments were provided during the year
- 36 students had a Disabled Student Allowance study needs assessment through our Access Centre service
- Majority of registered students disclosed specific learning difficulties (37%) or mental health difficulties (30%).
- Over 100 disabled staff registered with Disability Services for confidential advice and support



**Dr James McGeorge**  
University Secretary and Chief Operating Officer



**Ronald Bowie**  
Chair of Court





## Research with impact, changing lives around the world

---

Over the past 50 years we have pioneered innovations as diverse as flatscreen technology and minimally-invasive, or 'keyhole', surgery.

That spirit of innovation and impact continues. We are home to one of the United Kingdom's largest life sciences research complexes and an internationally renowned medical school based within one of Europe's largest teaching hospitals.

# A great students' union

---

Dundee University Students' Association (DUSA) is consistently ranked among the best student unions in the UK. With over 180 societies within DUSA, there's something for everyone.



## Corporate Governance

This report covers the period from 1 August 2018 to 19 November 2019

### Compliance with the Scottish Code of Good Higher Education Governance

A revised Scottish Code of Good Higher Education Governance was published in 2017 which replaced the 2013 Scottish Code of Good Higher Education Governance. In the opinion of the Court (the University's governing body), the University is fully compliant with all the principles and provisions of the Code.

### 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 core purpose of the University, as set out in the 'Strategy to 2022' document ([dundee.ac.uk/strategy](http://dundee.ac.uk/strategy)), is 'to transform lives, locally and globally through the creation, sharing and application of knowledge'. This statement of purpose, supported by a vision to be recognised as Scotland's leading university, builds on and cements the formal original objects of the University, as laid out in the Charter, which are to 'advance and diffuse knowledge, wisdom and understanding by teaching and research and by the example and influence of its corporate life'.

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: [dundee.ac.uk/governance/governance/court](http://dundee.ac.uk/governance/governance/court)  
It has a total membership of 24, with a majority of lay members from outside the University. Members also include representatives of the student body and the staff of the University, including two members nominated by the trade unions. The Chair of Court for the 2018/19 academic year, Mr Ronald Bowie, was appointed by the Court in August 2016 following external advertisement, shortlisting and interview by a panel comprising lay, student and staff members of Court. The Chair reached the end of his first term of office on 31 July 2019 and in line with the Higher Education Governance (Scotland) Act ('the Act') an election was held in March 2019 to identify the Chair of Court to serve from 1 August 2019. As a result Mr Ronald Bowie was elected as the Chair of Court for the period to 31 July 2022. The Deputy Chair of Court is appointed by the Court on the recommendation of the Governance and Nominations Committee. The lay members are all considered to be independent. The Governance and Nominations Committee appoints eight 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 convenorships 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. With the exception of the Chair of Court from 1 August 2019, none of the lay members receives any payment apart from the reimbursement of expenses for the work they undertake for the University. From 1 August 2019 the Chair of Court will be remunerated at a gross per diem rate equivalent to the Band 1 minimum for chairs set by the Scottish Government in its technical guide for the remuneration of chairs of Non-Departmental Public Bodies. For 2019/20 this is equivalent to a gross daily rate of £327.

- b. 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.
- c. 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. The membership conforms to the requirements of the Act: more than half of its membership comprises elected staff and students, and students comprise more than 10% of the total membership. Its role is to direct and regulate the teaching, learning and research work of the University and is supported in this respect by a number of its committees including the Learning and Teaching Committee, Research Committee, Quality and Academic Standards Committee, and Internationalisation Committee. Senate is chaired by the Principal and Vice-Chancellor. The Court receives regular reports from the Senate and the Chair of the Senate highlighting matters of decision, interest and noting. On an annual basis the Court, on the recommendation of its Governance and Nominations Committee, approves the submission of the Annual Report to the Scottish Funding Council (SFC) on quality for the previous year.

## Committees

Although Court meets at least five times each academic year, including an annual strategic retreat, much of its detailed work is handled by committees: Finance and Policy Committee, People and Organisational Development Committee, Governance and 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 convenor, 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 2018/19, is set out in the table below. In summary the committees operate as follows:

On an annual basis the Governance and 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 and 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. It takes particular interest in ensuring the overall effectiveness of the Court and its committees in providing support and challenge to the University Executive in achieving the University's strategic objectives. The Committee also engages with aspects of quality assurance both in learning and teaching and in research, and this, along with regular reports from the Senate, enables the Committee to advise Court on its obligations in relation to academic quality.

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 Committee comprises four lay members of Court, a student and a staff member. The Chairperson of Court is included within this membership but is not the convenor of the Committee. Whilst the Principal is invited by the Committee to attend in order to advise on the remuneration of senior officers of the University, the Principal is not present at any discussion by the Committee in relation to his own remuneration. To improve transparency over decisions on remuneration, the Committee has introduced an annual report to the Court which provides further detail on the operation of the Committee and policy and approach to the review of senior pay.

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

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

Full remits for all committees of Court are available from the University's webpages at: [dundee.ac.uk/governance/governance/court](https://dundee.ac.uk/governance/governance/court)

## Effectiveness

Members of the governing body are encouraged to participate in training and development sessions offered by the Leadership Foundation for Higher Education (now part of Advance HE) as part of its Governor Development Programme. In addition, training sessions are organised from time to time throughout the year by the University on issues of relevance and briefing presentations have been introduced prior to every meeting of the Court to provide members with training and contextual information of relevance to items on the agenda. Members of the Audit Committee are also encouraged to attend external training sessions provided by the audit sector, with additional training on matters of interest being arranged when appropriate.

The Court reflects annually on the effectiveness of both the Chair and of the Court itself, and each committee also reflects annually on its own effectiveness and general operation, with outputs from these committee reviews being considered by the Court. In addition, the effectiveness of Court and of its Committees is evaluated formally at least every five years using external facilitation. Such a review is currently underway, with a report from the Working Group overseeing the process expected to be provided to the Court at its meeting in November 2019. The previous review took place in the summer of 2014.

The Audit Committee also carries out formal self-assessments and the most recent was carried out in spring 2017, and a number of recommendations for enhancement were subsequently adopted. The Chairperson of Court and Deputy Chairperson of Court meet with other Court members on an individual and informal basis at least annually to discuss their contribution and provide guidance if needed. A Continuing Professional Development Framework was introduced in 2018/19 to capture the training requirements of members as identified in these meetings. The meetings also provide 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. The Chair provides an annual summary of his meetings to the Governance and Nominations Committee to inform discussions regarding the renewal of lay members' appointments.

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, and from time to time attends meetings of the Senate, the University Executive Group and other senior management groups. In January 2019 the Court held its first annual public meeting of the Court, which was open to all and saw the Chair of Court and the Principal and Vice-Chancellor present and take questions with regard to the performance of the University and the operation of the Court over the previous 12 month period, and the President of the Dundee University Students' Association (DUSA) present on both the activities of DUSA and the consideration of student issues by the Court.

## 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, University Secretary and Chief Operating Officer, the Director of Finance, the Director of Human Resources and Organisational Development and the Director of External Relations.

Remuneration levels of the members of the UEG as at 31 July 2019, excluding employer's pension contributions, were as follows:

Principal – Professor Sir Peter Downes* (to 31 December 2018)	<b>£270,000 – £279,999</b>
Principal – Professor Andrew Atherton (from 1 January 2019)	<b>£250,000 – £259,999</b>
Vice-Principal (Provost)	<b>£140,000 – £149,999</b>
Vice-Principal (International)	<b>£150,000 – £159,999</b>
Vice-Principal (Learning and Teaching)	<b>£140,000 – £149,999</b>
Interim Vice-Principal (Education)	<b>£90,000 – £99,999</b>
Vice-Principal (Research, Knowledge Exchange and Wider Impact)	<b>£120,000 – £129,999</b>
University Secretary and Chief Operating Officer	<b>£150,000 – £159,999</b>
Director of Finance	<b>£110,000 – £119,999</b>
Director of External Relations	<b>£110,000 – £119,999</b>
Director of Human Resources and Organisational Development	<b>£120,000 – £129,999</b>

\* Professor Sir Peter Downes 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 at the time he opted out of the USS scheme, which was 16% of salary.

## Strategic Planning and Monitoring

In 2017 the University approved a new framework which set out its strategic goals and objectives for the next planning period: Strategy to 2022. In measuring its progress in achieving these goals and objectives, Court receives regular reports from the Director of Strategic Planning on action plans and performance indicators, which are supported by access to online dashboards. The indicators cover a range of measures 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: [dundee.ac.uk/governance/governance/court](http://dundee.ac.uk/governance/governance/court)

## Statement of Responsibilities

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 setting out 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

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.

# Dundee - a great place to live, work and study

The Wall Street Journal and Lonely Planet made us one of their top ten 'places to visit in 2018', and GQ called us 'Scotland's coolest city'. Dundee is Scotland's most student-friendly city with around one in seven of the population in higher or further education.



## Court and Committee Attendance 2018/19

(up to 31 July 2019)

		Court (of 5)	F&PC (of 6)	G&NC (of 5)	PODC (of 4)	Audit <sup>2</sup> (of 4)	Rem Com (of 3)
Janice Aitken		5		5			
Professor Andrew Atherton	From 01/01/2019	3 (of 3)	3(of 3)	3(of 3)			
Alan Bainbridge*		4	6				
Richard Bint*		5	6(b)			(a)	5
Lord Provost Ian Borthwick*		1					
Ronald Bowie*, Chairperson		5(b)	5	5(b)			5
Dr William Boyd*		4			4	4	
Shirley Campbell*		4			3(b)		4
Catherine Cavanagh		5			2		
Lady Lynda Clark*		4		4			
Josh Connor	From 01/07/2019	-	-				
Professor Sir Peter Downes	To 31/12/2018	2 (of 2)	3(of 3)	1(of 2)			
Rumana Kapadia		4		2			3
Professor Tim Kelly	To 31/07/2019	4			3		
Professor Lynn Kilbride	From 01/08/2019	-		-	-		
Rebecca Leiper		5			4		
Bernadette Malone*, Deputy Chairperson		5		5	4		5(b)
Jane Marshall*		5	6	5			
Dr David Martin	From 01/08/2019	-			-		
Allan Murray*		2	5				
Dr Alison Reeves	To 31/07/2019	5			4		
Karen Reid*		3	(a)			4(b)	
Dr Jean Robson*	To 31/07/2019	5			4		
Professor Mairi Scott		4	5	4			
Sofia Skevofylaka	To 30/06/2019	5	6				
Sharon Sweeney		3	5				4
Jay Surti*		5			4		
Keith Winter*		4				2	

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

(b) Convenor

\*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 and the Pensions Sub- Group.

F&PC = Finance and Policy Committee

G&NC = Governance and Nominations Committee

PODC = People and Organisational Development Committee

AC = Audit Committee

RC = Remuneration Committee

<sup>2</sup> The Audit Committee has two additional co-opted members, who are not members of Court: Karen Bassett and Neil Menzies who attended three and four meetings respectively during 2018/19.

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 and the Pensions Sub- Group.

## 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 ongoing process for identifying, evaluating and managing significant risks.

The University Court has therefore approved a Risk Management Policy which aims:

- to define the organisation's appetite for risk in its different areas of activity
- 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 Oversight Group implements the policy and accompanying risk management framework. The Group is chaired by the University Secretary and Chief Operating Officer with representation from the Schools and Professional Services.

In accordance with the framework, the University 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 Oversight Group regularly reports to the Audit Committee.



Risk area	Risk description	Risk management
<b>Financial sustainability</b>	Failure to generate sufficient surpluses to maintain and develop the University's existing infrastructure (physical, IT and human)	<ul style="list-style-type: none"> <li>→ Five year financial plans and annual budgets are used to quantify risks and the impact of remedial action</li> <li>→ Budgetary control is exercised by Court through the Finance and Policy Committee, and by the University Executive Group</li> <li>→ F&amp;PC monitors the condition of the estate and the implementation of major new systems</li> <li>→ F&amp;PC, through a sub-committee, contributes to the debate on the affordability of pensions within the Higher Education sector</li> </ul>
<b>Student experience</b>	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"> <li>→ There is student representation on all the major University committees and a formal Student Experience Oversight Group monitors all aspects of student experience</li> <li>→ There is a formal partnership agreement between the University and Dundee University Students Association</li> </ul>
<b>Research excellence</b>	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"> <li>→ Annual Research Review measures research quality and provides data for strategic management of research activity</li> <li>→ Recruitment focusses on research excellence</li> </ul>
<b>Process and systems efficiency</b>	Processes and systems provide inadequate information for effective decision making while incurring unnecessary costs	<ul style="list-style-type: none"> <li>→ 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</li> <li>→ A new network improved the robustness of the IT infrastructure</li> </ul>
<b>Estate</b>	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"> <li>→ The capital programme is prioritised to the most important areas for the University, with an emphasis on ensuring compliance and health and safety of users</li> <li>→ Additional funds have been provided to increase expenditure on maintenance and investment over the next three years</li> </ul>
<b>Staff</b>	Inability to attract, retain or develop staff could result in a loss in performance in key areas	<ul style="list-style-type: none"> <li>→ The People and Organisational Development Committee focuses on staff issues</li> <li>→ Increased focus on feedback, succession planning and staff development and also a wider marketing strategy is in place to raise the profile of the University with potential staff</li> <li>→ Investment in Athena SWAN and other equality and diversity and inclusion measures</li> </ul>
<b>Government policy and legislation</b>	Failure to meet the requirements of the University's outcome agreement with the SFC	<ul style="list-style-type: none"> <li>→ Strong alignment between the requirements of the outcome agreement and the University's own strategy</li> <li>→ Revised recruitment procedures for MD20 students</li> </ul>

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

### Opinion

We have audited the financial statements of the University of Dundee ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise the Consolidated and Institution Statement of Comprehensive Income, the Consolidated and Institution Statement of Changes in Reserves, the Consolidated and Institution Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent institution's affairs as at 31 July 2019, and of the Group's and parent institution's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

### Other information

The other information comprises the information included in the annual report set out on pages 2 to 27 other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

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

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

We have nothing to report in this regard.

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

In our opinion, in all material respects:

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

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

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

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

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

### Responsibilities of the University Court

As explained more fully in the Statement of Responsibilities set out on page 22, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

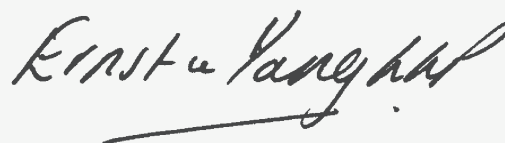
We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

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

### Use of our report

This report is made solely to the University Court of the University of Dundee, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University of Dundee and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.



Statutory Auditor  
Edinburgh

22 November 2019

Date

#### Notes:

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

32	Consolidated and Institution Statement of Income and Expenditure
33	Consolidated and Institution Statement of Changes in Reserves
34	Consolidated and Institution Balance Sheet
36	Consolidated Cash Flow
37	Statement of Principal Accounting Policies
41	Notes to the Financial Statements

# Financial Statements

Year ended 31 July 2019

## Consolidated and Institution Statement of Income and Expenditure

Year ended 31 July 2019

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £000	Institution £000	Consolidated £000	Institution £000
<b>Income</b>					
Scottish funding council grants	1	81,069	81,069	78,528	78,528
Tuition fees and education contracts	2	66,903	66,903	56,809	56,809
Research grants and contracts	3	69,755	69,755	74,018	74,018
Other income	4	32,757	32,216	31,155	30,699
Investment income	5	1,104	1,104	986	986
Donations and endowments	6	4,765	4,852	5,138	5,138
<b>Total income</b>		<b>256,353</b>	<b>255,899</b>	246,634	246,178
<b>Expenditure</b>					
Staff costs	7	198,641	198,198	144,867	144,464
Other operating expenses	8	92,442	92,514	86,270	86,305
Depreciation and amortisation	12, 13	18,169	18,084	22,035	21,952
Interest and other finance costs	9	2,214	2,214	2,513	2,513
<b>Total expenditure</b>		<b>311,466</b>	<b>311,010</b>	255,685	255,234
<b>Deficit before other gains and share of operating loss in associate</b>		<b>(55,113)</b>	<b>(55,111)</b>	(9,051)	(9,056)
Gain/(loss) on disposal of tangible assets		-	-	-	-
Gain on investments		1,011	1,011	1,324	1,324
Share of operating profit/(loss) in associate	20	23	-	(332)	-
<b>Deficit before tax</b>		<b>(54,079)</b>	<b>(54,100)</b>	(8,059)	(7,732)
Taxation	10	-	-	-	-
<b>Deficit for the year</b>		<b>(54,079)</b>	<b>(54,100)</b>	(8,059)	(7,732)
Remeasurement of pension scheme liability	31	(8,032)	(8,032)	15,101	15,101
<b>Total comprehensive income/(loss) for the year</b>		<b>(62,111)</b>	<b>(62,132)</b>	7,042	7,369
Represented by:					
Endowment comprehensive income for the year		1,671	1,671	1,340	1,340
Restricted comprehensive income/(loss) for the year		(364)	(364)	699	699
Unrestricted comprehensive income/(loss) for the year		(63,418)	(63,439)	5,003	5,330
		<b>(62,111)</b>	<b>(62,132)</b>	7,042	7,369

All items of income and expenditure relate to continuing activities

The accompanying notes and policies on pages 37 to 69 form part of these financial statements.



## Consolidated and Institution Statement of Changes in Reserves

Year ended 31 July 2019

Consolidated	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£000	£000	£000	
<b>Balance at 1 August 2017</b>	28,264	2,934	171,422	202,620
Surplus / (deficit) from the income and expenditure statement	2,782	2,467	(13,308)	(8,059)
Other comprehensive income/(loss)	-	-	15,101	15,101
Release of restricted funds spent in year	(1,442)	(1,768)	3,210	-
<b>Total comprehensive income/loss for the year</b>	<b>1,340</b>	<b>699</b>	<b>5,003</b>	<b>7,042</b>
<b>Balance at 1 August 2018</b>	<b>29,604</b>	<b>3,633</b>	<b>176,425</b>	<b>209,662</b>
Surplus / (deficit) from the income and expenditure statement	2,761	979	(57,819)	(54,079)
Other comprehensive income/(loss)	-	-	(8,032)	(8,032)
Release of restricted funds spent in year	(1,090)	(1,343)	2,433	-
<b>Total comprehensive income for the year</b>	<b>1,671</b>	<b>(364)</b>	<b>(63,418)</b>	<b>(62,111)</b>
<b>Balance at 31 July 2019</b>	<b>31,275</b>	<b>3,269</b>	<b>113,007</b>	<b>147,551</b>
Institution	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£000	£000	£000	
<b>Balance at 1 August 2017</b>	28,264	2,934	176,115	207,313
Surplus / (deficit) from the income and expenditure statement	2,782	2,467	(12,981)	(7,732)
Other comprehensive income/(loss)	-	-	15,101	15,101
Release of restricted funds spent in year	(1,442)	(1,768)	3,210	-
<b>Total comprehensive income/loss for the year</b>	<b>1,340</b>	<b>699</b>	<b>5,330</b>	<b>7,369</b>
<b>Balance at 1 August 2018</b>	<b>29,604</b>	<b>3,633</b>	<b>181,445</b>	<b>214,682</b>
Surplus / (deficit) from the income and expenditure statement	2,761	979	(57,840)	(54,100)
Other comprehensive income/(loss)	-	-	(8,032)	(8,032)
Release of restricted funds spent in year	(1,090)	(1,343)	2,433	-
<b>Total comprehensive income for the year</b>	<b>1,671</b>	<b>(364)</b>	<b>(63,439)</b>	<b>(62,132)</b>
<b>Balance at 31 July 2019</b>	<b>31,275</b>	<b>3,269</b>	<b>118,006</b>	<b>152,550</b>

## Consolidated and Institution Statement of Financial Position

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated £000	Institution £000	Consolidated £000	Institution £000
<b>Non-current assets</b>					
Intangible assets	12	4,659	4,659	1,890	1,890
Fixed assets	13	287,157	285,799	290,717	289,289
Investments	15	25,977	25,977	25,851	25,851
		<b>317,793</b>	<b>316,435</b>	318,458	317,030
<b>Current assets</b>					
Stock		192	192	199	199
Trade and other receivables	16	29,329	30,785	27,159	28,417
Cash and cash equivalents	17	25,739	25,007	40,530	40,062
		<b>55,260</b>	<b>55,984</b>	67,888	68,678
Less: Creditors: amounts falling due within one year	18	(82,212)	(81,986)	(83,152)	(82,924)
<b>Net current liabilities</b>		<b>(26,952)</b>	<b>(26,002)</b>	(15,264)	(14,246)
<b>Total assets less current liabilities</b>		<b>290,841</b>	<b>290,433</b>	303,194	302,784
Creditors: amounts falling due after more than one year	19	(1,334)	(1,334)	(2,471)	(2,471)
<b>Provisions</b>					
Pension provisions	20	(136,038)	(136,038)	(83,293)	(83,293)
Other provisions	20	(5,918)	(511)	(7,768)	(2,338)
<b>Total net assets</b>		<b>147,551</b>	<b>152,550</b>	209,662	214,682
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	21	31,275	31,275	29,604	29,604
Income and expenditure reserve - restricted reserve	22	3,269	3,269	3,633	3,633
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		113,007	118,006	176,425	181,445
<b>Total Reserves</b>		<b>147,551</b>	<b>152,550</b>	209,662	214,682

## Consolidated and Institution Statement of Financial Position

The financial statements were approved by the Court on 19 November 2019 and were signed on its behalf on that date by:

The accompanying notes and policies on pages 37 to 69 form part of these financial statements.



**Ronald Bowie**  
Chair of Court



**Dr James McGeorge**  
University Secretary and Chief Operating Officer



**Carol Prokopyszyn**  
Director of Finance

## Consolidated Statement of Cash Flows

Year ended 31 July 2019

		Year ended 31 July 2019	Year ended 31 July 2018
	Notes	Consolidated £000	Consolidated £000
<b>Cash flow from operating activities</b>			
Deficit for the year		(54,079)	(8,059)
<b>Adjustment for non-cash items</b>			
Depreciation	13	15,546	17,790
Amortisation and impairment of intangible assets		2,623	4,245
Gain on endowments and investments		(1,011)	(1,324)
Increase in stock		7	25
Decrease / (increase) in debtors	16	(2,170)	1,856
Increase / (decrease) in creditors		(1,131)	(473)
(Decrease) / increase in pension provision		1,469	(608)
(Decrease) / increase in other provisions	20	(1,827)	(3,282)
Pension costs less contributions payable		41,228	(879)
Share of operating (gain)/loss in associate	20	(23)	332
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(1,104)	(986)
Interest payable	9	2,214	2,513
Endowment income	6	(789)	(543)
(Gain)/loss on the sale of tangible assets		-	-
Gain on sale of investments		-	-
Capital grant income	6	(4,265)	(5,467)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(3,312)</b>	<b>5,140</b>
<b>Cash flows from investing activities</b>			
Proceeds from sales of fixed assets		72	-
Capital grants receipts	6	4,265	5,467
Disposal of non-current asset investments		6,334	3,194
Investment income	5	1,104	986
Endowment funds invested	6	(789)	(543)
Withdrawal of deposits		789	543
Payments made to acquire fixed assets	13	(12,058)	(13,932)
Payments made to acquire intangible assets	12	(5,392)	(3,656)
New non-current asset investments	15	(5,449)	(3,756)
		<b>(11,124)</b>	<b>(11,697)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(110)	(110)
Interest element of finance lease	9	(88)	(127)
Endowment cash received	6	789	543
New unsecured loans	19	-	641
Repayments of amounts borrowed	19	(241)	(187)
Capital element of finance lease		(705)	(646)
		<b>(355)</b>	<b>114</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>(14,791)</b>	<b>(6,443)</b>
Cash and cash equivalents at beginning of the year	17	40,530	46,973
Cash and cash equivalents at end of the year	17	25,739	40,530

# Statement of Principal Accounting Policies

Year ended 31 July 2019

## 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 Institution 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 (modified by the revaluation of fixed assets and derivative financial instruments).

## 2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Institution and its subsidiary undertakings for the financial year to 31 July 2019. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income 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 who's 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 Institution has no control or significant influence over policy decisions.

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

## 3. Income recognition

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 Institution is entitled to income and performance related 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.

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 Institution receives and disburses as paying agent of behalf of a funding body are excluded from the income and expenditure of the Institution where the Institution 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 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 on a receivable basis.

### 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.
3. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or 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.

#### Capital grants

Capital grants are recognised in income when the Institution 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 Institution'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 Institution 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 any contractual commitment to fund past deficits within the USS scheme.

The Institution 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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Under defined benefit plans, the Institution'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 Institution. The Institution 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 Institution 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 institution 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 Institution'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. Property, plant and equipment

### 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 Institution 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 Institution has a planned maintenance programme, which is reviewed on an annual basis.

### Assets used by the Institution

The Institution 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 Institution and which the Institution 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

### Impairment

A review for impairment of property, plant and equipment is carried out if events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

### Borrowing costs

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

## 11. Intangible Assets

All intangible assets are considered to have finite lives which will be determined by the assessed useful economic life and the period of any contractual or legal rights (including any renewal periods where the cost of renewal is not significant). 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:

- a. the University has a present legal or constructive obligation as a result of a past event
- b. it is probable that a transfer of economic benefit will be required to settle the obligation; and
- c. 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 Statement

Year ended 31 July 2019

	Notes	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated	Institution	Consolidated	Institution
		£000	£000	£000	£000
<b>1. Scottish funding council grants</b>					
General fund - teaching		53,332	53,332	51,140	51,140
General fund - research and knowledge exchange		22,542	22,542	22,149	22,149
Strategic funding		1,653	1,653	1,737	1,737
Capital funding		3,542	3,542	3,502	3,502
		<b>81,069</b>	<b>81,069</b>	78,528	78,528
<b>2. Tuition fees and education contracts</b>					
Scotland and EU domicile fees		20,622	20,622	18,635	18,635
Rest of UK Fees		11,010	11,010	10,269	10,269
Non-EU fees		30,977	30,977	23,640	23,640
Non-credit bearing course fees		816	816	1,013	1,013
Other contracts		3,478	3,478	3,252	3,252
		<b>66,903</b>	<b>66,903</b>	56,809	56,809
<b>3. Research grants and contracts</b>					
Research councils		17,650	17,650	17,754	17,754
UK charities		20,665	20,665	22,783	22,783
European commission		4,322	4,322	7,100	7,100
Other grants and contracts		27,118	27,118	25,485	25,485
Research and development expenditure credit		-	-	896	896
		<b>69,755</b>	<b>69,755</b>	74,018	74,018

## Notes to the Financial Statements

Year ended 31 July 2019

	Notes	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated £000	Institution £000	Consolidated £000	Institution £000
<b>4. Other income</b>					
Residences, catering and conferences		9,030	9,030	8,901	8,901
Other services rendered		10,534	10,623	10,239	10,327
Health authorities		6,249	6,249	5,058	5,058
Other income		6,944	6,314	6,957	6,413
		<b>32,757</b>	<b>32,216</b>	31,155	30,699
<b>5. Investment income</b>					
Investment income on endowments	21	964	964	915	915
Other investment income		140	140	71	71
		<b>1,104</b>	<b>1,104</b>	986	986
<b>6. Donations and endowments</b>					
Capital grants		723	723	1,965	1,965
New endowments	21	789	789	543	543
Donations with restrictions	22	108	108	261	261
Other income with restrictions	22	148	148	241	241
Unrestricted donations		2,997	3,084	2,128	2,128
		<b>4,765</b>	<b>4,852</b>	5,138	5,138

## Notes to the Financial Statements

Year ended 31 July 2019

	Notes	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated £000	Institution £000	Consolidated £000	Institution £000
<b>7. Staff costs</b>					
Staff Costs :					
Wages and salaries		<b>118,838</b>	<b>118,442</b>	114,533	114,203
Social security costs		<b>11,581</b>	<b>11,578</b>	11,015	10,997
Other pension costs	31	<b>68,222</b>	<b>68,178</b>	19,129	19,074
Sub-total		<b>198,641</b>	<b>198,198</b>	144,677	144,274
Restructuring costs		-	-	190	190
Total		<b>198,641</b>	<b>198,198</b>	144,867	144,464

Staff costs by major category:

Academic departments		<b>100,579</b>	<b>100,579</b>	72,360	72,360
Academic services		<b>16,579</b>	<b>16,579</b>	12,985	12,985
Research grants and contracts		<b>44,615</b>	<b>44,615</b>	34,322	34,322
Administration and central services		<b>24,327</b>	<b>23,884</b>	16,310	15,907
Premises		<b>6,116</b>	<b>6,116</b>	4,851	4,851
Other		<b>5,702</b>	<b>5,702</b>	3,321	3,321
Catering and residences		<b>723</b>	<b>723</b>	528	528
		<b>198,641</b>	<b>198,198</b>	144,677	144,274
Restructuring costs		-	-	190	190
Total		<b>198,641</b>	<b>198,198</b>	144,867	144,464

## Notes to the Financial Statements

Year ended 31 July 2019

### 7. Staff costs - continued

	31 July 2019	31 July 2018
	£000	£000
Total remuneration of the Principal and Vice-Chancellor:		
<b>Professor Sir Peter Downes</b> <b>01/08/2018 - 31/12/2018</b>		
Annual salary	101	238
Supplement in lieu of employer's pension contributions	14	32
<b>Total</b>	<b>115</b>	<b>270</b>
<b>Professor Andrew Atherton</b> <b>01/01/2019 - 31/07/2019</b>		
Annual salary	146	-
Bonus	-	-
Taxable benefits in kind	-	-
Non-taxable benefits in kind	-	-
Disruption allowance - taxable	35	-
Disruption allowance - non-taxable	8	-
Pension contributions to USS	40	-
Supplement in lieu of employer's pension contributions	-	-
<b>Total</b>	<b>229</b>	<b>-</b>

Total remuneration disclosed above includes a non-recurring payment to the Principal in the year of £43k in relation to a disruption allowance for relocation.

Professor Sir Peter Downes vacated his position as Principal on 31 December 2018. The position of Principal and Vice-Chancellor was taken up by Professor Andrew Atherton on 1 January 2019. No other individual held the role in the year.

Professor Andrew Atherton resigned as Principal and Vice-Chancellor on 8 November 2019. A termination payment was paid in line with the University published severance policy, comprising a contractual notice payment of £127,250, employer USS pension contributions of £26,903 and payment in respect of outstanding leave entitlement of £8,565. In line with University policy 13/24ths of the taxable and non-taxable disruption payments (£23,419) were deducted from the termination payment. The policy states that 1/24th of relocation payments will be recovered for each full month if an employee leaves the University within 24 months of employment.

Professor Sir Peter Downes opted out of the Universities Superannuation Scheme (USS) and was in receipt of a salary supplement in lieu of pension contributions as outlined above.

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

The pay multiple of the Principal to the median earnings of the whole workforce is 6.9 calculated using the Universities and Colleges Employers Association methodology. The Principal's remuneration is approved by the Remuneration Committee.

## Notes to the Financial Statements

### Year ended 31 July 2019

#### 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:

	31 July 2019	31 July 2019	31 July 2018	31 July 2018
	Number	Number	Number	Number
	Non-clinical	Clinical	Non-clinical	Clinical
£100,000 to £109,999	9	6	10	3
£110,000 to £119,999	7	4	3	4
£120,000 to £129,999	4	9	5	10
£130,000 to £139,999	-	10	2	10
£140,000 to £149,999	5	4	5	5
£150,000 to £159,999	3	3	1	2
£160,000 to £169,999	-	7	-	7
£170,000 to £179,999	-	3	-	3
£180,000 to £189,999	1	1	1	1
£190,000 to £199,999	-	-	-	-
£200,000 to £209,999	-	-	-	-
£210,000 to £219,999	-	-	-	-
£220,000 to £229,999	-	-	-	-
£230,000 to £239,999	-	-	-	-
	29	47	27	45

	31 July 2019	31 July 2018
	Number	Number
Average staff numbers by major category:		
Academic departments	1,401	1,272
Academic services	276	302
Research grants and contracts	662	678
Administration and central services	410	416
Premises	168	173
Other	79	78
Catering and residences	18	17
	3,014	2,936

Compensation for loss of office payable to senior post-holders:

	£000	£000
Compensation payable recorded within staff costs	-	-

The percentage of the total pay bill spend on trade union facility time was 0.062%.

## Notes to the Financial Statements

Year ended 31 July 2019

	Notes	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated	Institution	Consolidated	Institution
		£000	£000	£000	£000
<b>8. Other operating expenses</b>					
Academic departments		13,516	13,553	12,359	12,358
Academic services		7,617	7,617	7,610	7,648
Research grants and contracts		23,924	23,924	26,089	26,089
Administration and central services		22,983	22,913	17,356	17,285
Premises		11,429	11,533	11,349	11,418
Other		4,394	4,395	3,092	3,092
Catering and residences		8,579	8,579	8,415	8,415
		<b>92,442</b>	<b>92,514</b>	86,270	86,305

Other operating expenses include:

External auditors remuneration in respect of audit services		111		80
External auditors remuneration in respect of non-audit services		16		-
Internal auditors remuneration		74		49
Operating lease rentals:				
Plant and machinery	25	-		-
Office equipment	25	555		472

	Notes	Year Ended 31 July 2019		Year Ended 31 July 2018	
		Consolidated	Institution	Consolidated	Institution
		£000	£000	£000	£000
<b>9. Interest and other finance costs</b>					
Loan interest repayable within 5 years		110	110	110	110
Finance lease interest		88	88	127	127
Net charge on pension schemes	31	2,016	2,016	2,276	2,276
		<b>2,214</b>	<b>2,214</b>	2,513	2,513

## Notes to the Financial Statements

Year ended 31 July 2019

	Year Ended 31 July 2019		Year Ended 31 July 2018	
	Consolidated	Institution	Consolidated	Institution
	£000	£000	£000	£000
<b>10. Taxation</b>				
Recognised in the statement of comprehensive income:				
Current tax				
UK corporation tax	-	-	-	-
Foreign tax	-	-	-	-
<b>Total tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>2019</b>		<b>2018</b>	
	<b>£000</b>		<b>£000</b>	
<b>11. Deficit on continuing operations for the year</b>				
University deficit for the year	<b>(54,100)</b>		(7,732)	
Deficit generated by associate and subsidiary undertakings	<b>(21)</b>		(327)	
<b>Deficit on continuing operations for the year</b>	<b>(54,079)</b>		(8,059)	
<b>12. Intangible assets</b>				
	<b>Assets in Use</b>	<b>Assets in the Course of Construction</b>		<b>Total</b>
	<b>£000</b>	<b>£000</b>		<b>£000</b>
<b>Consolidated and University</b>				
<b>Cost</b>				
At 1 August 2017	269	5,866		6,135
Additions	163	5,229		5,392
Transfers	-	-		-
<b>At 31 July 2018</b>	<b>432</b>	<b>11,095</b>		<b>11,527</b>
<b>Depreciation and Impairment</b>				
At 1 August 2017	90	4,155		4,245
Charge for the year	118	-		118
Impairment loss	-	2,505		2,505
<b>At 31 July 2018</b>	<b>208</b>	<b>6,660</b>		<b>6,868</b>
<b>Closing balance</b>	<b>224</b>	<b>4,435</b>		<b>4,659</b>

The additions during the year relate to costs incurred in the development phases of a software project and a web project. The impairment of £2,505k relates to a software project.

## Notes to the Financial Statements

Year ended 31 July 2019

### 13. Fixed Assets

	Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£000	£000	£000	£000	£000
<b>Consolidated</b>					
<b>Cost or valuation</b>					
At 1 August 2018	362,128	3,181	86,509	4,801	456,619
Additions	6,895	-	3,443	1,720	12,058
Transfers	2,966	-	898	(3,864)	-
Disposals	(581)	-	(214)	(72)	(867)
<b>At 31 July 2019</b>	<b>371,408</b>	<b>3,181</b>	<b>90,636</b>	<b>2,585</b>	<b>467,810</b>
<b>Depreciation and impairment</b>					
At 1 August 2018	85,573	2,194	78,135	-	165,902
Charge for the year	9,964	65	5,517	-	15,546
Impairment loss	-	-	-	-	-
Disposals	(581)	-	(214)	-	(795)
<b>At 31 July 2019</b>	<b>94,956</b>	<b>2,259</b>	<b>83,438</b>	<b>-</b>	<b>180,653</b>
<b>Net book value</b>					
<b>At 31 July 2019</b>	<b>276,452</b>	<b>922</b>	<b>7,198</b>	<b>2,585</b>	<b>287,157</b>
At 1 August 2018	276,555	987	8,374	4,801	290,717



## Notes to the Financial Statements

Year ended 31 July 2019

### 13. Fixed Assets - continued

	Land and Buildings	Plant and Machinery	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
	£000	£000	£000	£000	£000
<b>Institution</b>					
<b>Cost or valuation</b>					
At 1 August 2018	361,568	-	86,450	4,801	452,819
Additions	6,895	-	3,429	1,720	12,044
Transfers	2,966	-	898	(3,864)	-
Disposals	(581)	-	(214)	(72)	(867)
<b>At 31 July 2019</b>	<b>370,848</b>	<b>-</b>	<b>90,563</b>	<b>2,585</b>	<b>463,996</b>
<b>Depreciation and impairment</b>					
At 1 August 2018	85,440	-	78,090	-	163,530
Charge for the year	9,953	-	5,508	-	15,461
Impairment loss	-	-	-	-	-
Disposals	(581)	-	(213)	-	(794)
<b>At 31 July 2019</b>	<b>94,812</b>	<b>-</b>	<b>83,385</b>	<b>-</b>	<b>178,197</b>
<b>Net book value</b>					
<b>At 31 July 2019</b>	<b>276,036</b>	<b>-</b>	<b>7,178</b>	<b>2,585</b>	<b>285,799</b>
At 1 August 2018	276,128	-	8,360	4,801	289,289

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

At 31 July 2019, freehold land and buildings included £8.9m (2018 - £8.9m) in respect of freehold land that is not depreciated.

The University's halls 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

Year ended 31 July 2019

### 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
<b>Consolidated</b>				
<b>At 1 August 2018</b>	-	653	25,198	25,851
Additions	-	6	5,443	5,449
Disposals	-	-	(6,334)	(6,334)
Increase in market value of investments	-	3	1,008	1,011
<b>At 31 July 2019</b>	-	<b>662</b>	<b>25,315</b>	<b>25,977</b>
<b>Institution</b>				
<b>At 1 August 2018</b>	-	653	25,198	25,851
Additions	-	6	5,443	5,449
Disposals	-	-	(6,334)	(6,334)
Impairment	-	-	-	-
Increase in market value of investments	-	3	1,008	1,011
<b>At 31 July 2019</b>	-	<b>662</b>	<b>25,315</b>	<b>25,977</b>

Other non-current investments consist of:

	<b>Consolidated and Institution</b>
	<b>£000</b>
Listed investments	-
Index linked government stocks and investment trusts	<b>606</b>
Other	<b>56</b>
	<b>662</b>

Listed investments are held at fair value.

## Notes to the Financial Statements

### Year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	Institution	Consolidated	Institution
	£000	£000	£000	£000
<b>16. Trade and other receivables</b>				
Amounts falling due within one year:				
Trade receivables	9,362	9,313	6,910	6,694
Prepayments and accrued income	19,967	19,746	20,249	20,090
Amounts due from subsidiary companies	-	1,726	-	1,633
	<b>29,329</b>	<b>30,785</b>	27,159	28,417

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	Institution	Consolidated	Institution
	£000	£000	£000	£000
<b>17. Cash and cash equivalents</b>				
Short term deposits	20,478	20,478	34,428	34,428
Bank	5,212	4,480	6,053	5,585
Cash on hand	49	49	49	49
	<b>25,739</b>	<b>25,007</b>	40,530	40,062

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

### Year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	Institution	Consolidated	Institution
	£000	£000	£000	£000
<b>18. Creditors: amounts falling due within one year</b>				
Unsecured loans	273	273	255	255
Obligations under finance leases	708	708	535	535
Trade payables	1,237	1,239	5,421	5,277
Social security and other taxation payable	3,160	3,160	3,132	3,132
Accruals and deferred income	76,834	76,606	73,809	73,725
	<b>82,212</b>	<b>81,986</b>	83,152	82,924

#### 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	35,819	35,819	32,204	32,204
Other income received on account	24,048	24,024	24,534	24,510
	<b>59,867</b>	<b>59,843</b>	56,738	56,714

## Notes to the Financial Statements

Year ended 31 July 2019

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated	Institution	Consolidated	Institution
	£000	£000	£000	£000
<b>19. Creditors: amounts falling due after more than one year</b>				
Deferred income	-	-	-	-
Unsecured loans	926	926	1,185	1,185
Obligations under finance leases	408	408	1,286	1,286
	<b>1,334</b>	<b>1,334</b>	2,471	2,471
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 17)	273	273	255	255
Due between one and two years	273	273	269	269
Due between two and five years	654	654	916	916
Due in five years or more	-	-	-	-
	<b>1,200</b>	<b>1,200</b>	1,440	1,440
Due within one year or on demand	(273)	(273)	(255)	(255)
<b>Total secured and unsecured loans</b>	<b>927</b>	<b>927</b>	1,185	1,185
Unsecured loans repayable by 2022	1,200	1,200	1,440	1,440
	<b>1,200</b>	<b>1,200</b>	1,440	1,440

There are four loans from Salix Limited amounting to £1,574k (2018 £1,574k) repayable in six-monthly, interest-free instalments until April 2026 to fund energy efficient lighting projects of which £914k (2018 £1,145k) remains outstanding at 31 July 2019.

There is a loan from the Scottish Funding Council carbon reduction programme amounting to £295k (2018 - £295k) repayable in monthly, interest-free instalments until December 2025 to fund energy saving projects of which £284k (2018 £295k) remains outstanding at 31 July 2019.

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 2019 the amount drawn down was £nil (2018 £nil).

## Notes to the Financial Statements

Year ended 31 July 2019

### 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 £000
<b>Consolidated</b>							
At 1 August 2018	22,928	5,441	54,924	83,293	2,338	5,430	7,768
Utilised in year	(15,492)	(456)	(10,613)	(26,561)	(1,695)	-	(1,695)
Additions in 2018/19	63,854	158	15,263	79,275	93	(23)	70
Unused amounts reversed in 2018/19	-	31	-	31	(225)	-	(225)
<b>At 31 July 2019</b>	<b>71,290</b>	<b>5,174</b>	<b>59,574</b>	<b>136,038</b>	<b>511</b>	<b>5,407</b>	<b>5,918</b>
<b>Institution</b>							
At 1 August 2018	22,928	5,441	54,924	83,293	2,338	-	2,338
Utilised in year	(15,492)	(456)	(10,613)	(26,561)	(1,695)	-	(1,695)
Additions in 2018/19	63,854	158	15,263	79,275	93	-	93
Unused amounts reversed in 2018/19	-	31	-	31	(225)	-	(225)
<b>At 31 July 2019</b>	<b>71,290</b>	<b>5,174</b>	<b>59,574</b>	<b>136,038</b>	<b>511</b>	<b>-</b>	<b>511</b>

#### USS deficit

The obligation to fund the past deficit of the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 31.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £22.9m to £71.3m. See also note 7 in respect of significant one-off pension costs/gains. More details on the 2017 actuarial valuation are set out 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 2017 was carried out by the University's appointed independent actuary, XPS Pensions Group.

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

<b>Consolidated</b>	
Discount rate	<b>2.40%</b>
Inflation	<b>2.40%</b>

## Notes to the Financial Statements

Year ended 31 July 2019

### 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 2018 was assessed by the University's appointed independent actuary, XPS Pensions Group.

The assumptions for calculating the provision are described in Note 31.

#### Other provisions

Other provisions include amounts relating to:

	<b>£000</b>
Research grants	121
VAT including capital goods scheme	223
Other	167
	<u>511</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	<b>33.3%</b>
Nature of business	<b>Residences</b>
Date of financial information	<b>31 July 2019</b>

	<b>DSV Limited</b>	<b>University share of DSV Limited</b>
	<b>£000</b>	<b>£000</b>
Total funds	(16,225)	(5,407)
Deficit for the year	70	23
Total income	6,981	2,327
Total fixed assets	30,046	10,015
Total current assets	12,589	4,196
Liabilities less than one year	(796)	(265)
Liabilities more than one year	(58,063)	(19,354)

## Notes to the Financial Statements

Year ended 31 July 2019

### 21. Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2019 Total	2018 Total
	£000	£000	£000	£000	£000
<b>Balances at 1 August</b>					
Capital	17,663	6,943	3,333	<b>27,939</b>	26,730
Accumulated income	1,665	-	-	<b>1,665</b>	1,534
	<b>19,328</b>	<b>6,943</b>	<b>3,333</b>	<b>29,604</b>	<b>28,264</b>
New endowments	86	-	703	<b>789</b>	543
Investment income	686	270	8	<b>964</b>	915
Expenditure	(563)	(270)	(257)	<b>(1,090)</b>	(1,442)
Increase in market value of investments	724	284	-	<b>1,008</b>	1,324
<b>Total endowment comprehensive income for the year</b>	<b>933</b>	<b>284</b>	<b>454</b>	<b>1,671</b>	<b>1,340</b>
<b>Balances at 31 July</b>	<b>20,261</b>	<b>7,227</b>	<b>3,787</b>	<b>31,275</b>	<b>29,604</b>
<b>Represented by:</b>					
Capital	18,474	7,227	3,787	<b>29,488</b>	27,939
Accumulated income	1,787	-	-	<b>1,787</b>	1,665
	<b>20,261</b>	<b>7,227</b>	<b>3,787</b>	<b>31,275</b>	<b>29,604</b>
<b>Analysis by type of purpose:</b>					
Lectureships	6,669	-	-	<b>6,669</b>	6,405
Scholarships and bursaries	8,895	3,769	2,062	<b>14,726</b>	12,240
Research support	659	-	1,320	<b>1,979</b>	3,212
Prize funds	3,364	-	77	<b>3,441</b>	3,212
General	674	3,458	328	<b>4,460</b>	4,535
	<b>20,261</b>	<b>7,227</b>	<b>3,787</b>	<b>31,275</b>	<b>29,604</b>
<b>Analysis by asset:</b>					
Current and non-current asset investments				<b>25,315</b>	25,198
Cash and cash equivalents				<b>5,960</b>	4,406
				<b>31,275</b>	<b>29,604</b>



## Notes to the Financial Statements

Year ended 31 July 2019

### 22. Restricted Reserves

Reserves with restrictions are as follows:

	Unspent capital grants	Donations	2019 Total	2018 Total
	£000	£000	£000	£000
<b>Balances at 1 August</b>	<b>593</b>	<b>3,040</b>	<b>3,633</b>	2,934
New grants	723	-	723	1,965
New donations	-	108	108	261
Other income	-	148	148	241
Capital grants utilised	(1,056)	-	(1,056)	(1,424)
Expenditure	-	(287)	(287)	(344)
<b>Total restricted comprehensive income for the year</b>	<b>(333)</b>	<b>(31)</b>	<b>(364)</b>	699
<b>Balances at 31 July</b>	<b>260</b>	<b>3,009</b>	<b>3,269</b>	3,633

#### Analysis of other restricted funds/donations by type of purpose:

Lectureships	-	-
Scholarships and bursaries	10	10
Research support	1	-
Prize funds	-	-
General	2,998	3,030
	<b>3,009</b>	<b>3,040</b>

### 23. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2019:

	31 July 2019		31 July 2018	
	Consolidated	Institution	Consolidated	Institution
	£000	£000	£000	£000
Commitments contracted for	13,753	13,753	3,986	3,986
Authorised but not contracted for	740	740	5,061	5,061
	<b>14,493</b>	<b>14,493</b>	9,047	9,047

## Notes to the Financial Statements

Year ended 31 July 2019

### 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 for 12 months from the date of approval of these financial statements.

### 25. Lease obligations

Total rentals payable under operating leases:

			31 July 2019	31 July 2018
	Plant and Machinery	Office Equipment	Total	Total
	£000	£000	£000	£000
<b>Payable during the year</b>	-	555	555	472
<b>Future minimum lease payments due:</b>				
Not later than 1 year	-	555	555	472
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
<b>Total lease payments due</b>	-	555	555	472

### 26. Events after the reporting period

As set out in note 31 in respect of the USS Pension Scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £31.1 million in the provision for the obligation to fund the deficit on the USS pension which would result in a required provision of £40.2m. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

Professor Andrew Atherton resigned as Principal and Vice-Chancellor on 8 November 2019. A termination payment was paid in line with the University published severance policy, comprising a contractual notice payment of £127,250, employer USS pension contributions of £26,903 and payment in respect of outstanding leave entitlement of £8,565. In line with University policy 13/24ths of the taxable and non-taxable disruption payments (£23,419) were deducted from the termination payment. The policy states that 1/24th of relocation payments will be recovered for each full month if an employee leaves the University within 24 months of employment.

## Notes to the Financial Statements

Year ended 31 July 2019

### 27. Bursaries and other student support funds

	2018/19 Childcare £000	2018/19 Nursing £000	2018/19 Discretionary £000	2018/19 Total £000	2017/18 Total £000
Balance b/fwd	-	1	-	1	24
Refund to Scottish Funding Council	-	-	-	-	(24)
Allocation received in the year	282	65	665	1,012	973
Expenditure	(208)	(65)	(709)	(982)	(970)
University contribution to funds	-	-	-	-	1
Virements	(44)	-	44	-	(3)
Balance c/fwd	30	1	-	31	1
Repayable as clawback	30	1	-	31	-
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.

During the year the Principal rented a residential property from the University at a cost of £800 per month, based on a comparable commercial market rent for the area. At the year end the outstanding balance on payments due for this arrangement was £800, a sum which was settled on 1 August 2019.

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

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

	2019 £000	2018 £000
Due to Dundee Student Villages	(16)	(18)

In accordance with the agreement with Dundee Student Villages, the University transferred £8.7m of student rental income to Sanctuary Housing Association.

Conference and room hire amounting to £95k 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 and utilities amounted to £9k.

## Notes to the Financial Statements

Year ended 31 July 2019

### 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 SC157081	To manage professional fees on major capital build projects.	1	100%
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

Year ended 31 July 2019

### 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 2018 on the total funds of the University of Dundee Nursery Limited, as reported in its financial statements, was as follows:

	At 1 August 2018	Income	Expenditure	Change in market value	At 31 July 2019
	£000	£000	£000	£000	£000
<b>Consolidated (see Note 29)</b>					
University of Dundee Nursery Limited (charity number SC032969)	51	580	(588)	-	43

The movement in the year to 31 July 2018 on the total funds of the Centenary Trust of Duncan of Jordanstone College of Art, as reported in its financial statements, was as follows:

	At 1 August 2018	Income	Expenditure	Change in market value	At 31 July 2019
	£000	£000	£000	£000	£000
<b>Not consolidated</b>					
Centenary Trust of Duncan of Jordanstone College of Art (SC020617)	122	-	-	-	122

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

Year ended 31 July 2019

### 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 an 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 2019	Year Ended 31 July 2018
	Note	£000	£000
USS		63,359	13,304
UODS including FRS 102 adjustments		3,974	5,060
Other pension schemes		889	765
	7	<u>68,222</u>	<u>19,129</u>

## Notes to the Financial Statements

Year ended 31 July 2019

### 31. Pension Schemes - continued

#### 1. Universities Superannuation Scheme (USS)

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

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

The total cost charged to the profit and loss account is £63.4m (2018: £13.3m)

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

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

The 2017 valuation was the fourth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

<b>Pension increases (CPI)</b>	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% pa
<b>Discount rate (forward rates)</b>	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32%
	Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21
	Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

## Notes to the Financial Statements

Year ended 31 July 2019

### 31. Pension Schemes - continued

#### 1. Universities Superannuation Scheme (USS) - continued

2018

##### Mortality base table

##### Pre-retirement:

71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.

##### Post-retirement:

96.5% of SAPS SINMA 'light' for males and 101.3% of RFV00 for females.

##### Future Improvements to mortality

CMI\_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

##### The current life expectancies on retirement at age 65 are:

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

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with FRS102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £83.1 million to £248.4 million as set out in note 21. £165.1 million of this increase is attributable to the change in the deficit contributions contractual commitment. See also note 7 in respect of significant one-off pension costs/gains.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £40.2m, a decrease of £31.1m from the current year end provision and a Total Comprehensive Income for the Year of £31.0m.

The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

However, there is a significant risks that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £71.3 million (assuming the same discount rate of 1.58%):



## Notes to the Financial Statements

Year ended 31 July 2019

### 31. Pension Schemes - continued

#### 1. Universities Superannuation Scheme (USS) - continued

<b>Impact of:</b>	<b>£000</b>
1% increase	13,958
3.9% increase	54,461
Deficit repayment duration of 20 years	30,366
Deficit repayment duration of 17 years	11,894

#### Based on the current schedule of contributions

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

#### For years 2019/20 to 2030/31

Pensionable payroll growth assumptions	4%
Staff changes	(1.5)% - 0%
Effective deficit contribution rate	1.4% - 5%
Discount rate for high quality corporate bond	1.58%

#### The amounts recognised in comprehensive income are:

	Year Ended 31 July 2019	Year Ended 31 July 2018
Staff costs:	<b>£000</b>	<b>£000</b>
Employer contribution allocated to scheme deficit	(1,172)	(1,719)
	49,039	293
Difference between expected and actual contributions	47,867	(1,426)
Employer contributions payable	15,492	14,730
	<b>63,359</b>	<b>13,304</b>

#### Net interest expense:

Unwinding of discount rate	495	442
----------------------------	-----	-----

#### Movement in provision (Note 20):

Utilised in year:		
Employer contributions payable	(15,492)	(14,730)
Additions in 2018/19:		
Employer contributions adjusted for FRS 102	63,359	13,304
Unwinding of discount rate	495	442
	<b>63,854</b>	<b>13,746</b>

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

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2017 valuation
Scheme assets	£60.0bn
Scheme technical provisions	£67.5bn
Scheme shortfall	£7.5bn
Scheme funding ratio	89%

## Notes to the Financial Statements

Year ended 31 July 2019

### 31. Pension Schemes - continued

#### 2. University of Dundee Superannuation Scheme (UODS)

The University sponsors the University of Dundee Superannuation and Life Assurance Scheme, a funded defined benefit pension scheme in the UK. 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 Company pays the balance of the cost as determined by regular actuarial valuations. The University currently pays 17.1% of salary in respect of future accrual, and £1.9m per annum (over the 2018/19 year) increasing at 3% per annum to fund the deficit disclosed at the last formal valuation as at 31 July 2017. 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 2017. The results of that valuation have been projected to 31 July 2019 with an allowance for member movements since the valuation. The figures in the following disclosure were measured using the Projected Unit Method.

#### (Retirement Benefits) Disclosure for the accounting period ending 31 July 2019.

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 2019	Year Ended 31 July 2018
	£000	£000
Defined benefit obligation	(179,398)	(157,608)
Fair value of plan assets	119,824	102,684
<b>Net defined benefit liability</b>	<b>(59,574)</b>	<b>(54,924)</b>

#### 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 in profit or loss. Remeasurements of the net defined benefit liability are included in other comprehensive income.

#### Service cost:

Current service cost (net of employee contributions)	3,974	5,060
Loss on plan introductions, changes, curtailments and settlements	1,736	
Net interest expense	1,521	1,834
Charge recognised in profit or loss	7,231	6,894

#### Remeasurements of the net liability:

Return on scheme assets (excluding amount included in net interest expense)	(7,040)	2,429
Actuarial loss	15,072	(17,530)
Charge recorded in other comprehensive income	8,032	(15,101)
<b>Total defined benefit cost/(credit)</b>	<b>15,263</b>	<b>(8,207)</b>

## Notes to the Financial Statements

Year ended 31 July 2018

### 31. Pension Schemes - continued

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

The principal actuarial assumptions used were:

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£000	£000
Liability discount rate	2.40%	2.90%
Inflation assumption - RPI	3.20%	3.10%
Inflation assumption - CPI	2.20%	2.10%
Rate of increase in salaries	3.20%	3.10%
<b>Revaluation of deferred pensions:</b>		
Benefits accrued prior to 1 August 2011	2.20%	2.10%
Benefits accrued after 1 August 2011	2.20%	2.10%
<b>Increases for pensions in payment:</b>		
Benefits accrued prior to 6 April 1997	3.00%	3.00%
Benefits accrued after 5 April 1997	3.60%	3.60%
Benefits accrued after 1 August 2009	3.20%	3.10%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	N/A	N/A
<b>Expected age at death of current pensioner at age 65:</b>		
Male aged 65 at year end	85.5	86.0
Female aged 65 at year end	87.6	88.1
<b>Expected age at death of future pensioner at age 65:</b>		
Male aged 45 at year end	86.5	87.0
Female aged 45 at year end	88.8	89.4

## Notes to the Financial Statements

Year ended 31 July 2018

### 31. Pension Schemes - continued

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

##### Reconciliation of scheme assets and liabilities

	Assets	Liabilities	Total
	£000	£000	£000
At start of period	102,684	(157,608)	(54,924)
Benefits paid	(4,944)	4,944	-
Current service cost	-	(3,974)	(3,974)
Contributions from the employer	10,613	-	10,613
Contributions from the employees	1,697	(1,697)	-
Interest income / (expense)	3,080	(4,601)	(1,521)
Return on assets (excluding amount included in net interest expense)	7,040	-	7,040
Actuarial gain / (loss)	-	(15,072)	(15,072)
Gain/(loss) on plan introductions and changes		(1,736)	(1,736)
Assets distributed / liabilities extinguished on settlements	(346)	346	-
<b>At end of period</b>	<b>119,824</b>	<b>(179,398)</b>	<b>(59,574)</b>

	Year Ended 31 July 2019	Year Ended 31 July 2018
	£000	£000
<b>The return on plan assets was:</b>		
Interest income	3,080	
Return on plan assets (excluding amount included in net interest expense)	7,040	(2,429)
<b>Total return on plan assets</b>	<b>10,120</b>	<b>(2,429)</b>

##### The major categories of scheme assets are as follows:

UK Equities	40,737	34,116
Overseas Equities	16,785	15,560
Corporates	6,959	7,336
Gilts	4,183	3,147
Index Linked	22,311	17,175
Property	3,245	2,845
Insureds	252	297
Other	17,309	15,041
Cash	8,043	7,167
<b>Total market value of assets</b>	<b>119,824</b>	<b>102,684</b>

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

## 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. A formal actuarial valuation has been carried out as at 31 July 2017. The liabilities for these accounting disclosures have been calculated by projecting the preliminary results of that valuation to 31 July 2018 by the actuary, XPS Pensions Group, 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 2017 valuation and this approach is not as accurate as if the actuary had used actual census information as at 31 July 2019, 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 2017 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 2019 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 recognised the discounted fair value of the contractual contributions under the funding plan and level of contributions in existence at the date of approving the financial statements, as disclosed in Note 31.

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% pa 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 1.58%.

### 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.





**University of Dundee**

Nethergate

Dundee DD1 4HN

t: +44 (0)1382 383000

w: [dundee.ac.uk](http://dundee.ac.uk)