

INTEGRATED REPORT



2019/20



Abertay
University®

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INTRODUCTION



INTRODUCTION

Principal's Introduction to Financial Statement, 2019-20

As we began this extraordinary year, our focus was on welcoming our new students to what we thought would be a fairly normal academic year, and on developing our operational plans to give life to the our new Strategic Plan covering the years 2020 to 2025.

Our Strategic Plan, described in more detail in the next section has a considerable degree of continuity with the previous Plan. We maintain our strong commitment to social mobility, and to doing research for the benefit of society. Our plan also has new elements: our ambition to put our digital strategy at the heart of all that we do; and a commitment to broaden access to our high-quality academic programmes through online delivery and the development of international partnerships.

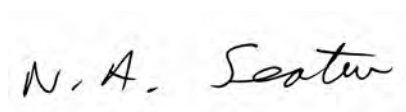
This did not turn out to be a normal year, of course. There is a story to be told of the impact of Covid-19 on Abertay University, and our response to the crisis. This will wait for another day; a very brief outline is given in the next section. The main point I would make here is how very proud I am of my colleagues, who adapted with tremendous commitment to a rapidly evolving crisis; and of our students who have continued to learn in what for many were difficult circumstances.

This was a year in which the performance of our University was publicly recognised in several ways. Our students placed us in the top-10 of UK universities for student satisfaction in the National Student Survey. We rose 39 places in the Guardian University Guide. And we were the Times and Sunday Times UK University of the Year for Teaching Quality, as well as their leading Scottish university for social inclusion.

In the midst of a crisis, it is always difficult to maintain a strategic focus, but we are determined to do so. As you will see in the next section, our new Strategic Plan has a very strong focus on digital technology, and is well suited to the development of the University during the crisis and in the recovery period. It is already guiding us, and we are about to make major investments in digital technology and new ways of working; we are not leaving strategy until after the crisis.

In our financial management, we will also maintain a strategic focus. Our cash generation from operations in 2019-20 was 5% (in terms of EBITDA – our preferred performance measure). This was a little short of our target of 6% but a good outcome when the impact of the pandemic towards the end of the year is taken into account. In the present financial year, 2020-21, we will use our cash reserves to manage uncertainty, and to cope with what might turn out to be a significant reduction in income, whilst also bearing in mind the need to conserve resources to invest in the future of the University. Scotland's universities will play a critical role in our recovery from the pandemic. There will nevertheless be many competing priorities for public spending in the aftermath of the current crisis, so our planning assumption for the duration of our Strategic Plan is that the progressive decline in public funding for Scottish universities that we have seen since 2013 will continue.

We are determined to learn what we can learn from our experience during the crisis. There are already many areas where we have learnt a great deal – in approaches to blended learning, in supporting staff working in different locations and with varied personal circumstances, in the democratising effect of digital technology, and much else. Our University will look very different in future as we continue to deliver a high-quality education to our students and to serve the wider community.



Nigel Seaton
Principal and Vice-Chancellor

OPERATING REVIEW



OPERATING REVIEW

Operating Review

Two major influences have shaped academic year 2019-20. The first half of the year saw us focus on finalising our new strategic plan to guide our activities over the next five years to 2025. The second half of the year was dominated by the impact of the coronavirus pandemic and on managing our response to it.

Strategic Plan 2020- 25

During 2019-20 we finalised our new [strategic plan](#) for the next five years and launched this in February 2020. This reflected considerable discussion across the University community throughout the previous year.

The new plan confirms our focus on students and our strong roots in Dundee and the wider Tayside region, continuing the themes from the previous plan. We remain committed to teaching a broad range of subjects and to using our research and our specialist expertise to support the development of industry and commerce.

Alongside this strong element of continuity, there are two major changes.

Our Purpose

To offer transformational opportunities to everyone who has the ability to benefit from Abertay's approach to university education.

To inspire and enable our students, staff and graduates to achieve their full potential and to have a positive impact on the world around us.

To prepare students for the world of work and a life of learning.

Strategic Plan 2020-25

- We will build on our expertise in computer games, cyber security and computer science in order to put digital technology at the heart of all that we do. Alongside significant planned investment in our core IT systems, this will enhance the experience of our students and empower our staff to work in new ways.
- The second change is a focus on academic collaboration, particularly internationally. Here we are taking a measured approach, building on our strengths, with the twin aims of broadening access to an Abertay qualification and increasing our income from sources other than the Scottish Government.

The strategic plan is supported by the development of new supporting strategies

- [Digital Strategy](#) our plan to embrace a digital culture to drive innovation across the whole of the University community, recognising that changes may be necessary to ways of working as much as to IT infrastructure
- [Learning Enhancement Strategy](#) our plan for teaching and supporting our students' learning across subject knowledge, research and soft skills to prepare them for success in a world with complex challenges.
- [Research and Knowledge Exchange Strategy](#) our plan for research and knowledge exchange that is relevant to real-life issues, will strengthen our academic programmes and deliver a positive impact for society.

During the course of 2020-21 we will also develop a People Strategy, an Environmental Sustainability Strategy and we will refresh our Estates Strategy.

The strategic plan and supporting strategies describe our ambitions for the next five years, grouped around eight themes, and provide a framework for our operational planning.



Impact of the pandemic

The new strategic plan refers to the challenges and changes we will face over the next five years, including the impact of technology and automation on higher education and all areas of society. We recognised the need for us to be adaptable and flexible, while focussing on our strategic priorities and using our resources to have maximum impact on these areas.

While we anticipated that there would be a period of change, we did not expect that just six weeks after we launched the plan, the University campus would be closed and the UK would be in lockdown as a result of the coronavirus pandemic. Consequently the second half of academic year 2019-20 was shaped by the crisis and by our response to it.

We stopped face-to-face teaching on 16 March 2020, moving to online teaching the following day, with the complete closure of the campus (excluding halls of residence) from the following week. Online delivery of academic programmes continued for the remainder of the term, which was a tremendous achievement by our staff. Alternative assessment arrangements were put in place to allow students to complete the year.

Student support has been delivered remotely while the campus has been closed. This covers the full range we would provide on campus – support for study skills, counselling, student welfare, and so on. Student engagement in online learning and submission of assessments, seems to have been similar to that on campus and while it has been a positive experience from many students, we recognise that many students had difficult circumstances to deal with at home during lockdown. Ensuring appropriate equipment for all students has also been a challenge – laptops have been loaned and tablet devices purchased, where possible.

While the initial priority was to put arrangements in place to allow students to complete the current year, our focus then moved to planning for delivery of our programmes in 2020-21, including the re-opening of the campus and providing some face to face teaching for students, while complying with guidance on social distancing. This has been extremely complex, given the uncertainty around anticipated student numbers and the changing guidance as the pandemic has progressed.

Most staff have continued to work remotely from home. A small number were 'furloughed' using the government's Job Retention Scheme. Additional support and resources have been made available to help staff adapt to new ways of working and there have been regular communications throughout including several online Q&A sessions with the Principal, regular community update newsletters and dedicated intranet pages providing guidance.

Operational planning

The pandemic was a significant influence on our operational planning process this year, with the focus on ensuring the continued sustainability of the University in an uncertain environment, as we, like all other UK universities, faced the prospect of a significant reduction in income from a drop in student numbers.

Our planning was based on a set of prudent assumptions and we have put in place a series of measures to reduce expenditure over the course of the next academic year. Given the level of uncertainty, we will review the position on a regular basis over the coming year.

Our priorities are:

- ensuring continued delivery of programmes and research activities in 2020-21;
- safe operation of our campus, complying with any ongoing social distancing requirements while ensuring the health and wellbeing of our staff and students;
- maintaining the financial stability of the University; and
- achieving our strategic plan ambitions, in the context of the changed environment. This means accelerating our digital strategy and associated investment in infrastructure and pedagogy.

Risks and Opportunities

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

A summary of the strategic risk register is given below. Our planning has necessarily included consideration of the risks and uncertainties and we have discussed these regularly with Court and its committees, focussing on the following themes:

- delivery of academic programmes in 2020-21
- student recruitment for 2020-21
- financial pressures
- impact on health and wellbeing of staff
- instability in the HE sector over the coming academic year
- possible longer term structural changes to the sector as a consequence of changes arising from the current crisis
- potential risk associated with Brexit if the Scottish Government removes funding associated with EU Students, reducing our funding and requiring us to recruit less students. Other risks are associated with potential impacts on supply chains and therefore on operations these have been considered as part of our Brexit contingency planning and mitigated by working arrangements as a result of covid.

Specific Risk	low 1	Residual Risk Score	high 25	Risk Owner
We do not deliver the commitments set out in our outcome agreement with SFC and as a result our funding is reduced.				VP Strategy and Planning
We do not generate enough cash to be able to sustain the university's core operations on our current model of delivery or to invest in new activity to deliver the university's strategic priorities.				Principal
Scottish Government removes funding associated with EU students and therefore our funding is reduced and we are required to recruit fewer students.				VP Strategy and Planning
Increased competition for SFC resources leads to predatory attack from competitors.				VP Strategy and Planning
Disruption to University operations arising from major incident, omission, failure or external attack.				Director of FICS
We do not comply with legislation/changes in legislation.				University Secretary
The University's academic reputation is damaged				Deputy Principal
We do not have the business systems in place to enable us to operate effectively and therefore are unable to make timely and well-informed decisions.				SMT led by the Principal
We are not able to recruit or retain high-performing staff and consequently are unable to deliver University's key objectives				Director of People Services
Our portfolio of academic programmes does not meet student expectations, leading to negative experiences, poor outcomes and discouraging future applicants.				Deputy Principal
Insufficient numbers of students progressing from partner institutions to Abertay degrees.				Director of ECR
We are unable to recruit international students and therefore cannot achieve our strategic plan ambitions.				Director of ECR
Change averse / risk averse culture prevents delivery of key strategic objectives				SMT led by the Principal

Strategic Risk Register: approved by Executive Group and Court June 2020

Our performance 2019-20

A summary of our performance against our 2020 key performance indicators is given in the table below. Against the background of this unusual year, there are a number of successes to highlight:

- continued improvement in the National Student Survey, with the results of the 2020 survey (which ran from January to April 2020) ranking Abertay as third in Scotland for overall student satisfaction and in the top ten in the UK.
- a significant increase in research income in 2019-20, primarily driven from [InGAME](#)
- our continued strength in supporting the articulation of students from colleges with over a third of entrants in 2019-20 articulating to year 2 or 3 of a degree programme
- the launch of a series of upskilling programmes to support re-skilling and economic recovery.

During this academic year, we also completed the changes in the academic structure agreed the previous year, with the launch of the new Abertay Learning Enhancement Academy (AbLE) in September 2019 focussed on supporting the delivery of the Learning Enhancement Strategy and facilitating effective sharing and development of good practice across the Academic Schools. This work is supported by new Teaching Quality Leads in each School.

We implemented a revised structure for our professional services in mid-February 2020, the purpose of which was to create a smaller number of more integrated Services and to facilitate effective working across the University.

KPI	Target 2020 position	Current position	
Choosing our own path			
1	% students satisfied with the overall quality of their course [NSS]	89%	● 89%
2	% of staff who would say the University is a good place to work	89%	● 78%
3	Annual operating surplus as % of total income.	3%	● 0.3%
21	Students eligible for SFC funding compared to SFC funded places	SFC places + 5%	● +14.4%
4	league table position Guardian	3 rd quartile	●

KPI	Target 2020 position	Current position	
Recognising and developing potential			
5	% of Scottish-domiciled undergraduate entrants from the 20% and 40% most deprived postcodes	35% SIMD40	● 33%
20	% of Scottish-domiciled undergraduate entrants from disadvantaged backgrounds	16%	● 19%
6	% Scottish-domiciled entrants articulating with advanced standing	30%	● 27%
7	% of undergraduate entrants still in higher education after one year	HESA benchmark	● 88.2%
8	% of undergraduate students projected to receive a degree	HESA benchmark	● 72.4%
Expanding horizons			
9	% of graduates in employment or further study (HESA PI)	HESA benchmark	●
10	% of graduates in graduate-level employment (HESA data)	75%	●
11	Number of students taking up work experience opportunities	553 placements	● 611
12	International students as % of student population	7%	● 3.2%
13	Postgraduate taught students FTE	300 FTE	● 212.2 FTE
Working in partnership			
14	Retention/completion rate for entrants articulating to Abertay at stages 2 and 3.	In line with overall retention rate.	● 87%
15	Level of alumni engagement		●
16	Staff survey: % of staff who think communication in the university is effective	61%	● 56%
Making our knowledge accessible			
17	Total research grant and contract income	+ 10% (£1,477,600)	● £2.061m
18	Total income from knowledge exchange activity (as reported to SFC)	+ 10% (£700k)	● £1.305m
19	Number of citations	4500	● 3825

FINANCE REVIEW



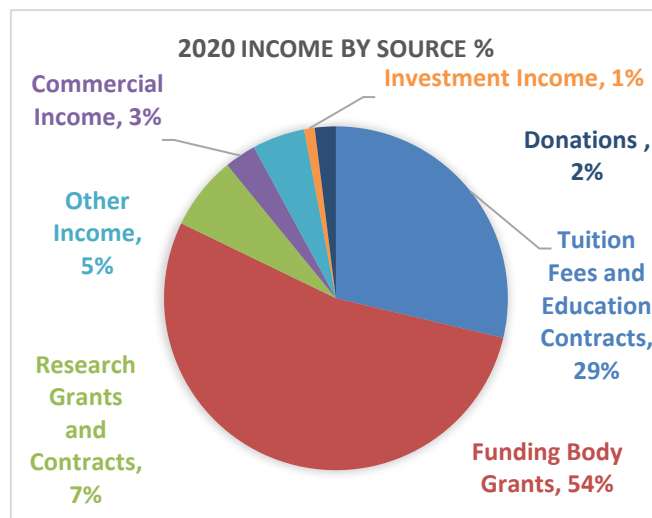
FINANCE REVIEW

Finance Review

Results for the year show a reported loss of £18.1m, which includes adjustments in respect of USS and LGPS provisions of £14.3m and an EBITDA of £1.9m in line with budget.

Income Overview

	2019 Actual £000	2020 Actual £000
Income		
Tuition Fees and Education Contracts	9,782	10,480
Funding Body Grants	19,706	19,515
Research Grants and Contracts	2,061	2,394
Commercial Income	1,501	1,057
Other Income	951	1,601
Investment Income	474	333
Donations	291	604
Total Income	34,766	35,984

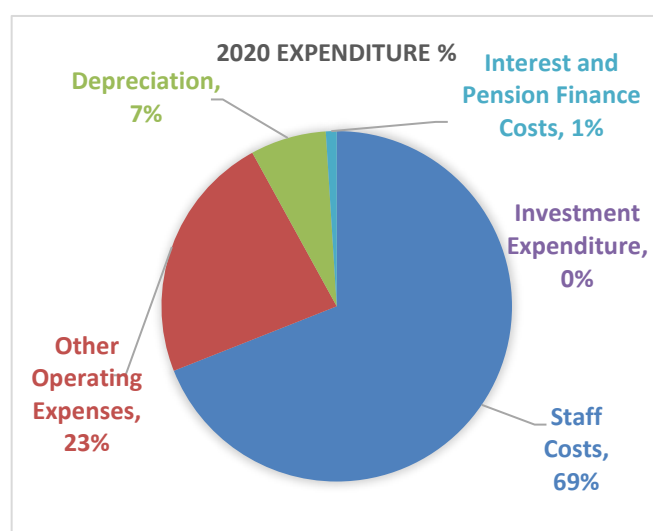


Total Income in 2020 is £36.0m up 3.9% on 2019, with variations in individual categories, but significant movements explained below.

- Funding Body Grants and Tuition Fees account for 83% of income (excluding donations).
- Tuition Fee income has increased by £698k primarily due to an increase in Undergraduate students.
- Research Grant Income varies year on year dependent on Grants awarded/finishing in year. In 2020 it has increased by £398k. Our InGame grant continues with income of £1,060k recognised in the financial year, up from £523k in 2019.
- Commercial Income has fallen £444k, primarily as a result of Covid, students were released early from their Residence commitments and our Student Centre outlets closed when the campus closed in March.
- Other Income has increased by £707k, this includes £198k of Government Furlough Income and £163k of SFC contribution to SPPA increased employer pension costs.

Expenditure Overview

	2019 Actual £000	2020 Actual £000
Expenditure		
Staff Costs	25,971	27,032
Other Operating Expenses	9,025	9,114
Depreciation	2,106	2,561
Interest and Pension Finance Costs	127	238
Total Expenditure	37,229	38,945



Total Expenditure in 2020 of £38.9m is 4.6% up on the prior year, but has also varied in individual categories with significant variations detailed below.

- Staff Costs accounted for 69% of expenditure (excluding the exceptional investment expenditure detailed below) in 2020, consistent with 2019. Actual costs have increased £1m, with £442k in relation to employer pension contributions and pay settlements and on-costs account for the balance. Our staffing complement has remained relatively steady.

Balance Sheet

at 31 July	2019 Actual £000	2020 Actual £000	at 31 July	2019 Actual	2020 Actual
Non Current Assets - Fixed Assets	37,069	37,390	Non Current Assets	47,893	47,349
Non Current Assets - Listed Investments	10,824	9,959	Current Assets	6,862	15,587
Current Assets other than Cash	1,757	1,769	Net Current Assets	1,281	9,687
Current Assets Cash	5,105	13,780	Net Assets	38,112	19,925
Trade and Other Payables: amounts falling due within 1 yr	(5,581)	(5,862)			
Creditors falling due after one year - SFC Loan	(922)	(10,884)			
Pension Provisions	(10,141)	(26,227)			
Total Net Assets	38,111	19,925			
Restricted Reserves	1,061	660			
Unrestricted - Income and Expenditure Reserve	37,051	19,265			
Total Funds	38,112	19,925			

Significant movements in the Balance Sheet are explained below.

- Listed Investments managed by UBS have dropped in the year £940k this represents the unrealised drop in our Investment portfolio managed by our external fund advisors UBS, due to the current uncertain economic climate. As we do not expect to realise, sell or consume in our normal reporting cycle, we must report these assets as non current assets.
- 3 Financial Transaction loans totalling £10.3m (from the SFC) were drawn down in early March, pre covid. With the campus closed, this capital work has not yet started, and a revised capital plan for this work is now being drawn up, with the significant element of £8.6m for our North side cladding being reviewed for further potential efficiencies.

RESPONSIBILITIES OF COURT



RESPONSIBILITIES OF COURT

Financial Responsibilities of the University Court

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

The Court is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, The Further and Higher Education (Scotland) Act 2005, Scottish Funding Council Accounts Direction and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of Abertay University, the University Court, through its designated office holder, is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- Suitable accounting policies are selected and applied consistently.
- Judgements and estimates are made that are reasonable and prudent.
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Court has a responsibility to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe.
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Safeguard the assets of the University and hence to take reasonable steps to prevent and detect fraud; and
- Ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments.
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Court.
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit & Risk Committee and Finance & Corporate Performance Committee.
- A professional Internal Audit team whose annual programme is approved by the Audit & Risk Committee and endorsed by the Court. The Internal Audit team provides a report of internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

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

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

reasonably to have taken as an officer and member of the Court to make himself/herself aware of any relevant audit information and to establish that the University's auditor is aware of that information.

Court's Primary Responsibilities

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

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

Going concern

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



Mr Murray Shaw
Chair, University Court

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

CORPORATE GOVERNANCE STATEMENT



CORPORATE GOVERNANCE STATEMENT

Corporate Governance Statement

Court is the governing body of Abertay University. The composition, functions, and powers of the Court for the year ended 31 July 2020 were set out in the Abertay University (Scotland) Order of Council 2019, which took effect from 1 September 2019 (see later section on 'Governance'). Under the 2019 Order, the objects of the University are to provide education, undertake and carry out research, make suitable and adequate provision for such activities, and conduct the affairs of the University in ways that promote its objects.

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

COVID-19 Impact on Governance

No changes were required to the structure of the governance framework (Court and its committees or Senate and its committees) and no emergency powers were used or taken because of the COVID-19 pandemic. Court and all its committees met on the planned number of occasions and in some cases, held additional meetings. Some planned meetings had to be re-scheduled and many took place online rather than face-to-face. There was one additional meeting of Court in May and there were two additional meetings of the Chair's Committee during the summer period (one during the period of this report and one after) to ensure that Court was kept apprised of developments. Court also received a regular update in relation to COVID-19 developments from the University Secretary from 23 March (immediately following national lockdown and the closure of the University campus) until 29 June 2020 and then fortnightly thereafter until the end of August 2020. Further aspects, such as the impact of the pandemic on internal audit and engagement with staff, are addressed throughout this report.

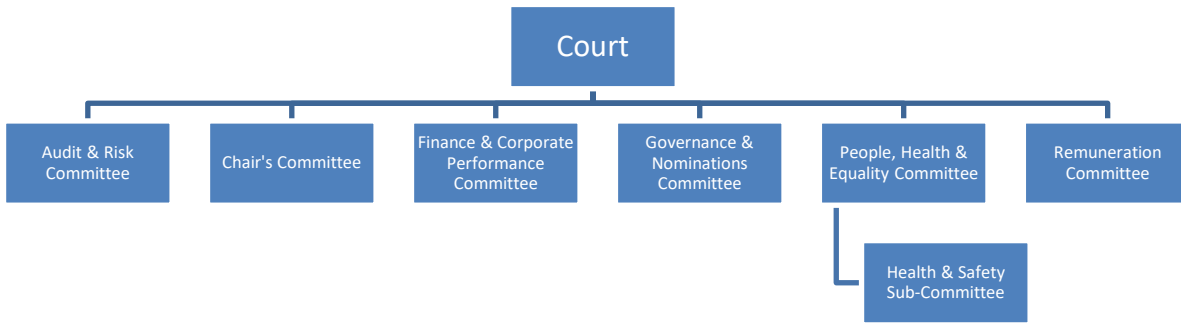
The University was grateful to its Court members for their continuous engagement throughout this challenging period and in particular for their ongoing constructive challenge to the Executive and Senior Management of the University with a view to ensuring that the University's legal and ethical responsibilities were discharged towards students and staff.

COURT - THE UNIVERSITY'S GOVERNING BODY

Court administration

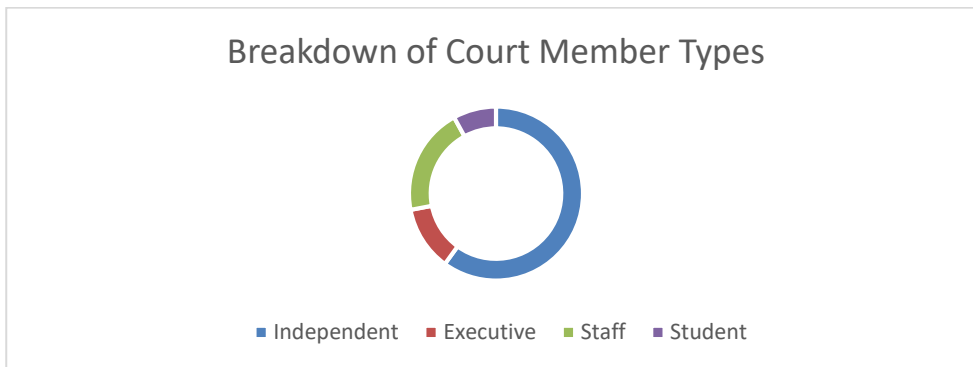
There were five scheduled meetings of Court during the year and one additional meeting. Meetings took place in September and November 2019; and in February, April, May, and June 2020. As mentioned above, meetings from April 2020 were held online using video-conference facilities. In addition to regular business meetings, Court also held a strategic conference in September 2019 where, with members of the University's senior management group, Court had the opportunity to discuss the draft Strategic Plan 2020-25. New members of Court received an introduction to the development of the Plan over the previous year and an explanation of the consultation process that had involved Court, staff and students. Under normal circumstances, Court meetings are scheduled for three hours - usually commencing at 2 pm at the University - and are preceded by a visit to part of the University and opportunity to meet staff and students. Between this and the meeting commencing formally, there is a lunch to which all senior managers, members of Senate (the primary academic committee of the University) and those staff who have just been visited by Court members are invited. This was not possible from March onwards owing to the Coronavirus impact.

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



Court membership

Court comprises independent (lay) members, *ex officio* members (i.e. those who have membership through holding a particular role at the University - specifically Principal and Vice-Principals); and elected staff members (one from amongst academic staff, one from amongst support staff and one from Senate), with a maximum membership of 25 people. In line with the new 2019 Order, there are now two student members nominated by the Students' Association (an increase from one student member in previous years) and two additional staff members nominated by the trades unions.



This balance of diverse members ensures that there is a clear majority of independent members on Court and that staff, students and the University's Executive are all represented, bringing a wide range of skills, and experience to the functions of Court. The Governance & Nominations Committee ensures that, when vacancies arise in the independent membership, an analysis of the skills and experience required is identified and used when advertising, interviewing applicants and inviting Court to appoint new independent members. This committee also ensures that the requirements of the University's Order with respect to the experience of these members are also met.

During the year covered by this report, the previous situation of having one student member (always the Student President) changed in line with the new governing Order, and the Students' Association nominated the incoming Student President and Vice-President to membership of Court. In February 2020, the Student Vice-President resigned from her position in the Association and therefore ceased to be a member of Court. The Students' Association decided not to hold an election to fill this vacancy in the Association and therefore the position on Court was vacant for the remaining part of the session with no new nomination being made. From 1 July 2020, the newly-elected President and Vice-President took up membership of Court, nominated by the Association.

There were 16 lay members of Court until 31 December 2019, one more than the maximum of fifteen, but permitted as part of the transition from the 1994 Governing Order to the 2019 Order. When this member finished her maximum period of office, she was not replaced as the lay membership was then at the maximum position. One additional lay member resigned in March 2020 owing to pressure of work associated with their professional role and the Coronavirus pandemic and in recognition that they would not be able to devote adequate time to their governor role and was not replaced during the year covered by this report.

One elected staff governor ceased to be an employee of the University on 31 July 2020 having reached the end of their contract. An election will be held to fill this vacancy. One *ex officio* executive governor ceased to be a member in July 2020 on their retirement from the University. They were replaced by another Vice-Principal who became the holder of this position in accordance with the 2019 Order.

As there are two lay members whose membership comes to an end on 31 December 2020, the Governance & Nominations Committee will oversee the advertising and appointment of new members.

Key Court roles

Chair of Court: The Chair – an independent member - is responsible for the leadership of Court. He/she is responsible for ensuring that the necessary business of Court is carried out efficiently, effectively, and in a manner appropriate for the proper conduct of public business.

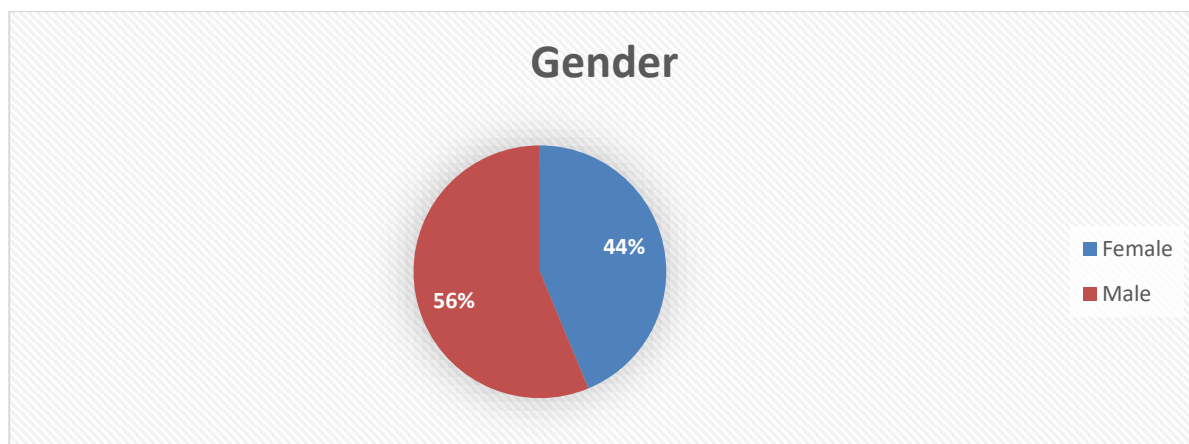
Vice-Chair of Court: an independent member who acts as Chair in the Chair's absence. The position was held by Shirley Scott from January 2019 to December 2019 and Court then appointed Dr Annie Ingram to the role with effect from 1 January 2020.

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

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

As at 1 September 2020, Court's aim of having a gender breakdown of at least 40% female/40% male amongst lay members had still not been met, with a shift in balance (see figure below) towards male lay members since 2018 when the balance was exactly 50%/50%. This means that at the current time Court has not achieved the gender representation objective of the '*Gender Representation on Public Boards (Scotland) Act 2018*' by having 50% non-executive/independent members who are women. As of 1 September 2020, the balance between genders amongst the lay membership was 71%/29%. Court has undertaken to address this during the session 2020/2021 (see also further in this section).

As at 1 September 2020, the gender split for *all* Court members has also shifted slightly back towards more male Court members – from 56% in financial year ending July 2018 to 58% last reporting year and now back to 56% this year (see figure below). This represents a net loss of one female member of Court.



Periodic review of Court's effectiveness

Court undertook an externally-facilitated review during 2016/17, which involved both an external facilitator and a separate external adviser. This review concluded that that the Court of the University was effective and overall met its Statement of Primary Responsibilities and complied with the Scottish Code of Good HE Practice 2013 and the HE Governance (Scotland) Act 2016 (where applicable). The next such review is due to be conducted in session 2021/22.

Annual review of Court's effectiveness

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

In addition, in session 2018/19, the internal audit programme of work included a review of corporate governance controls, which found several areas of good practice and made four low-level recommendations for enhancement.

Attendance at Court and Court committees

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

	Court	Court Committees					
		Audit & Risk Committee	Finance & Corporate Performance Committee	Governance & Nominations Committee	Chair's Committee	Remuneration Committee	People, Health & Equality Committee
		6 meetings	3 meetings	4 meetings	4 meetings	5 meetings ^^	3 meetings
Professor E Bacon	5 (of 6)				5		
Mr A Bailey +	6 (of 6)		3				
Mr J Barnett +	6 (of 6)	3				3	
Mr M Batho #	6 (of 6)		4		3 (of 3)		
Mr J Burt OBE +	6 (of 6)				5		4
Ms S Devautour**	2 (of 3)		1 (of 2)				2 (of 2)
Ms G Ghafoor +	2 (of 6)	2					
Mrs M Guild	6 (of 6)						4
Dr A Ingram (Vice-Chair from 1.1.20) +	6 (of 6)			2 (of 2)	4 (of 4)	2 (of 2)	4
Professor T Inns +	4 (of 6)	2					
Mr F Keir +	5 (of 6)	3					
Mr I Lowe ^^	6 (of 6)			4			
Ms V Lynch +	5 (of 6)			2			
Mr G MacDougall +	4 (of 6)						4
Ms C MacEachen	5 (of 6)					3	
Mr J Macgregor +	6 (of 6)		2				
Mr T Marks +	6 (of 6)		4	3		3	
Mr I McDonald +	5 (of 6)		4		4	3	
Dr J Rees +	5 (of 6)						3
Ms F Robertson + ##	0 (of 3)		2 (of 2)				
Mr A Samuel	5 (of 5)						
Mrs S Scott (Vice-Chair to 31.12.19) +*	2 (of 2)			2 (of 2)	1 (of 1)	1 (of 1)	
Professor N Seaton	6 (of 6)			3	5		
Mr M Shaw (Chair) +	6 (of 6)			4	5	3	
Dr K Smith	6 (of 6)		4				
Ms C Summers ~	0 (of 0)				1 (of 1)		
Mr O Wright ~~	6 (of 6)		2 (of 2)	4		3	2 (of 2)
Aggregate attendance level (figures for year to 31 July 2019)	86.40% 84%	83.30% (70%)	86.11% (76%)	87.5% (68%)	97% (100%)	100% (62%)	96.42% (67%)

+ Lay (independent) member

* To 31 December 2019

** To 12 February 2020

Retired as Vice-Principal July 2020

To 20 March 2020

~ From July 2020

~~ To 30 June 2020

^^ To 31 July 2020

Induction and development

New members received an in-depth induction session provided by the Secretary to Court and were also invited to attend external development events including a one-day seminar for new governors in Scotland offered by Advance HE. Six members attended external events for new governors in 2019/20 and six members attended an Advance HE Scottish Governance Symposium on governance in May 2020.

COURT AND ITS COMMITTEES: KEY ACTIVITIES DURING YEAR

Strategic development

Court regularly considers strategic development issues and it receives regular updates on the implementation of objectives. In light of the need to develop a new Strategic Plan for the period 2020-2025, Court held a workshop-style session at its first meeting of the session in September 2018 on '*refreshing our strategy and developing a new strategic plan: Court discussion with stimulus paper*'. This allowed all Court members, especially new members, the opportunity to contribute to the direction of travel for the University. This was followed up in November 2018 by a scenario-planning session for both Court members and the senior management group of the University, which then informed some further preparatory work on the new Strategic Plan that was considered by Court at its meetings in February and April 2019. A draft new Strategic Plan 2020-2025 was considered at a Court conference in September 2019, was further revised and presented to Court again in November 2019, at which point it was approved. The Strategic Plan was published on the University website.

Court - directly and through its committees - maintained oversight of the Key Performance Indicators previously approved by Court, noting that these were the KPIs relating to the previous Plan. Court will be invited to approve a revised set of KPIs that relate to the new Strategic Plan in session 2020/21.

Financial performance and capital investment

Court, through its Finance & Corporate Performance Committee, reviewed the financial performance of the University and approved the University's budget for session 2020/21. The Finance & Corporate Performance Committee is responsible, *inter alia*, for the development, implementation and review of the University's Strategic Plan and associated enabling strategies including operational plans; any significant financial deviation from such plans; the key performance indicators for the University as agreed by Court; the annual financial statements for each financial year; all proposals for the borrowing of money; the financial projections prepared for submission to the Scottish Funding Council; oversight of the management and application of all funds of the University ensuring they are handled within the Financial Regulations; oversight of the University's Financial Policies and Procedures; oversight of the management of all activities of the University as they relate to the estate and the University's estate strategy and to capital projects such as ICT infrastructure; and oversight of the financial affairs of the University of Abertay Dundee Students' Association.

Court, through the Finance & Corporate Performance Committee, received capital projects updates at the start of session but expressed concern that formal written reports on capital investment projects were not forthcoming. Management reported that this related to unplanned staff absences and undertook to improve the submission of formal integrated reports on strategic finance and capital investment developments. Post-project evaluation reports were later provided for the transformation of the School of Design & Informatics by the development of parts of Level 1 and Level 3 of the University's Kydd Building to provide enhanced teaching and learning and staff accommodation respectively; and on capital investment to upgrade fourteen classrooms as part of ongoing improvement of the teaching estate. Nonetheless, the Committee remained concerned about this aspect of oversight and, at its May meeting, in addition to further written reports on the post-occupation evaluation of the Library and laboratories' refurbishment, the Committee received a proposal for a framework for strategic evaluation and prioritisation of projects. This was discussed and a further iteration of the proposal will be considered early in session 2020/21.

Court, through the Finance & Corporate Performance Committee, also oversaw the University's bid for the Tay Cities Deal, noting the progress of the University's cyberQuarter proposal and delegating responsibility for any urgent acceptance of the final project fund to the Principal, the Chair of Court and the Chair of the Committee. As finalisation of the Tay Cities Deal has not happened at time of writing, this delegated authority has not had to be exercised.

At its meeting in January 2020, the Finance & Corporate Performance Committee welcomed the success of four applications by the University to the Financial Transactions fund of the Scottish Funding Council to support, at very low interest, a loan of over £10m for further estates work to improve sustainability. However, Court noted at a later date that - under the approved University Scheme of Delegation - this should have come to Court as a recommendation from the Committee prior to the loan being accepted. In addition to a 'lessons learned' review undertaken by the University Secretary and considered by both the Finance & Corporate Performance Committee and the Governance & Nominations Committee, the Committee homologated its approval and recommendation to Court and Court accepted this recommendation.

People matters

The impact of the COVID-19 pandemic on the health, safety and welfare of staff and on the student body became the critical matter for Court as the virus spread across the UK from February 2020, leading to national 'lockdown' in March 2020 and the complete closure of the University. The People, Health & Equality Committee received updates on this fast-moving situation from the Crisis Management Team at its meetings in March and June 2020; and Court, as noted earlier, received regular (weekly then fortnightly) updates from the Secretary.

A special meeting of Court took place in May to ensure that Court had sufficient oversight of the situation as it related to health and safety of staff and students and also addressed the impact on these groups of the ongoing situation including working and studying remotely and with the need for additional support. An opportunity was also provided for some lay members to talk with a range of staff (see later in this section).

The People, Health & Equality Committee also strongly focussed on improvements to health and safety and to governance of this topic, raising to Court the need for internal audit reports in this area to be considered by it as well as by the Audit & Risk Committee in order, timeously, to be able to provide Court with informed views of such critical matters. Court accepted this and officers of the University undertook to ensure that the internal audit programme reports of any topic were considered by relevant committees and not solely by the Audit & Risk Committee. Related to this, Court, through the People, Health & Equality Committee, received reports on the implementation of the health and safety audit recommendations.

Court, through its People, Health & Equality Committee, reviewed the University staff survey undertaken in 2019 and noted improvements in several areas since the last student survey as well as work to be done in some areas. Court also, through the Committee above, had oversight of staff engagement, equality and diversity matters and employee relations including the impact of the Services re-organisation.

Court approved, on the recommendation of the People, Health & Equality Committee, revised policies on Fitness to practice, Relocation, Use of Drones, Special Leave, Data Classification and Handling and, most critically, a revised Health and Safety Policy taking account of the recommendations from the internal audit. Court also noted the annual reports on health and safety, on occupational health, on sickness absence and delayed its consideration of the University's Equality Mainstreaming report until September 2020 owing to the need to focus on the COVID-19 pandemic and its impacts. The People, Health and Equality Committee also maintained oversight of the report on the current cladding in position within the University (in the context of the Grenfell Tower fire and the need to improve the cladding on part of the Kydd Building – reassurance having been provided that the current cladding was being safely maintained until new cladding could be installed).

Governance

Court appointed a new Chancellor of the University in June 2019 and Professor Alice Brown was formally installed as the University's Chancellor at the Graduation Ceremony at Dundee's Caird Hall in November 2019.

Court, through its Governance & Nominations Committee, completed the significant activity in implementing the new Governing Order for the University and associated new rules for the nomination of members. The new Governing Order came into force on 1 September 2019. The University took the opportunity to revise its legal name at the same time, in order to reflect the name under which we had been operating for about five years (i.e. 'Abertay University' instead of 'The University of Abertay Dundee'). Much of the documentation associated with the new instrument of governance had been approved in the year ending 31 July 2019. However, there remained some minor works to be completed at the start of session 2019/20 and these were all approved by Court on the recommendation of the Governance & Nominations Committee. They included minor changes to the Standing Orders of Court, the Scheme of Delegation, and to the various documents setting out the roles of the Chair of Court, the Principal, the Court Intermediary, and the Secretary to Court. Court also approved new rules for the election of staff members of Court.

Further work to enhance governance at Abertay University was undertaken by the Governance & Nominations Committee during the year in question; including considering and recommending to Court the annual report on the effectiveness of Court; considering and bringing to the attention of Court the Scottish Funding Council's report on its review of payments to the former Principal of the University of Aberdeen; discussing means by which the inter-relationships between the committees of Court could be improved; and considering a lessons-learned paper in relation to the acceptance of Financial Transaction funding from the Scottish Funding Council (see earlier).

Court remains concerned to improve the gender diversity of the lay membership of Court as well as addressing wider aspects of diversity including age (more young people). The Governance & Nominations Committee has

considered the skills and diversity matrix with a view to Court's appointment of new lay members to fill current and near-future vacancies and will seek to use a range of tools to identify and attract appropriate candidates.

In line with the Scottish Code of Good HE Governance, Court also held its second annual public stakeholder event in February 2020 (see later).

In relation to statutory duties and legal requirements, Court considered annual reports on the University's compliance with the Prevent Duty, the Public Sector Equality Duty, with the Freedom of Information (Scotland) Act, and with the requirements of the Scottish Public Services Ombudsman.

the scottish code of GOOD HE GOVERNANCE

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

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

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

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

Court notes the contribution made to the recent governance changes at the University by the University's legal advisers and, in particular, the contribution made by Mr Jack Robertson, former Chairman of Thorntons Law LLP, who passed away in April 2020.

Remuneration

The Remuneration Committee, comprising only non-executive independent members plus a non-executive staff governor and a student governor, met on three occasions in the session and fulfilled its remit in relation to (a) considering the salaries of the senior officers of the University, namely the Principal, the Deputy Principal, the Vice-Principal (University Services) [Note; this position ceased to exist upon the retirement of the incumbent in July 2020], the Vice-Principal (Strategy and Planning) and the University Secretary; and (b) deciding the principles for determining the salaries of all other University staff whose salaries are in the discretionary range above the nationally-determined salary scale. The Principal of the University is not a member of the Remuneration Committee.

When setting remuneration for senior officers, Court is mindful of public interest and of the tight funding environment in which the University operates. It therefore adopts an approach that is evidenced through performance, is broadly in line with comparator institution data and is informed by the views of all members of Court including staff and student members, who all discussed this matter in private as a formal agenda item (without members of the Executive Group present) at one of the meetings of Court in the session. This informed the deliberations of the Remuneration Committee when it met subsequently, and a detailed report was provided to Court thereafter.

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

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

Audit and risk management and internal controls

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

Court's annual confirmation of the effectiveness of internal control is informed by a continuous review of the process used by the University to identify, measure, and manage its key risks. These risks comprise both business and financial risk and derive from operating in the environment of the higher education sector. The identification, measurement and management of risk are conducted through the University's Risk Management framework. This process is reviewed by the Audit & Risk Committee of Court and accords with the internal control guidance for directors on the UK Corporate Governance Code.

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

During the year, the Audit & Risk Committee:

- Considered several reports arising from the internal audit plan for session 2018/19 at its meeting in October 2019 including those for Health and Safety; Curriculum and Portfolio Planning, Income Diversification; Procurement; and Research governance and management. These were included in the corporate governance statement for the annual accounts for that year.
- Approved the internal audit plan for the year and considered the reports arising from this plan, including Business Planning and Performance Management; Quality Management; Business Continuity Planning; Project Management; Student Engagement and the Students' Association; and Staff Wellbeing, Sickness and Absence Management.
- Approved revision to the internal audit plan owing to the disruptions caused by the COVID-19 pandemic: this included postponing three scheduled reviews until session 2020/21 and accepting the recommendation of management to review the Maintenance of Quality and Academic standards during the pandemic. This latter review concluded that there were no areas of improvement required.
- Considered the annual integrated report and financial statements for the University for the year ending 31 July 2020.
- Considered updates on risk management at each meeting, focusing latterly on the operational risks and mitigating actions relating to the COVID-19 pandemic.
- Considered the Annual Results Report from the University's external auditors.
- Continued reviewing the relationship between it and the Finance & Corporate Performance Committee with a view to providing clarity of their respective remits and providing a greater role for the Audit & Risk Committee in terms of assurance of project controls in advance of large-scale projects being launched by the University.
- Held a private meeting with the internal and external auditors and with no senior members of University staff present.
- In the period up to the publication of this report, the Committee also considered an internal review report for which there was limited level of assurance over the area reviewed and a significant level of recommendations where action must be taken urgently. The Committee received a management response to this report and agreed to receive regular reports on the implementation of the proposed management actions.

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

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

Sustainability of the University

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

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

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

Court: stakeholder engagement

During 2019/20, Court was only able to make one visit to part of the University owing to the closure of the University from mid-March 2020 onwards. In November 2019, members visited the refurbished White Space and staff accommodation areas of the School of Design and Informatics. Members of Court attended and/or participated in a range of events at the University including prize-giving and public lectures when these were being held on campus and also participated in on-line events once the University closed; for example including student degree shows and online graduation celebration. In addition, Court expressed an interest in being able to talk with a range of staff to gain an understanding of the impact of COVID-19 on their working lives. A virtual conference call was arranged for lay members of the Chair's Committee and other committee chairs and a large group of staff from both academic and professional services.

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

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

The University also held its second public stakeholder event in February 2020. This was hosted by the Chancellor of the University and by the Chair of Court and comprised a presentation from the Principal, who introduced the new Strategic Plan 2020-2025 followed by an open question and answer session. More than sixty people from the University and the local community attended.

CONCLUSION

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

GOING CONCERN

The University's principal operations, together with the factors likely to affect its future development and its financial position are noted in the Operating and Finance Review, Operational Planning, Risks and Opportunities sections.

Court has determined that although the University has a strong balance sheet going into the pandemic and has sufficient liquidity for more than the next twelve months from the date of the signing of this report, to maximise operational flexibility towards our EBITDA target of 6% and allow the University to mitigate any further downside financial performance in the going concern period, the University will continue to carefully monitor its expenditure and review for any potential savings. As required, the University would also review its ongoing capital programmes as mitigation of any further cost rises or reduction in income.

Accordingly, The University Court has concluded that it has adequate resources to retain the going concern basis in preparing the financial statements for the foreseeable future.

Signed by



Mr Murray Shaw
Chair, University Court

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

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE ABERTAY UNIVERSITY

Opinion

We have audited the financial statements of Abertay University ('the institution') for the year ended 31st July 2020 which comprise Statement of Comprehensive Income and Expenditure, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Reserves and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the institution's state of affairs as at 31st July 2020 and of the income and expenditure, recognised gains and losses, changes in reserves, and statement of cash flows for the year for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ▶ have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- ▶ have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report set out on pages 2 to 21, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

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

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

we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the University Court

As explained more fully in the Statement of the University Court's Responsibilities set out on pages 10-11, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

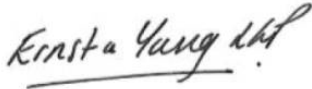
We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder

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

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

Use of our report

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

A handwritten signature in black ink that reads "Ernst & Young Ltd." with a horizontal line underneath.

Statutory Auditor

Edinburgh

Date: 5 February 2021

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

Introduction to the Financial Statements

Objective

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

These users include:

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

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

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

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

Format

An institutions' financial statements must include:

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

Statement of Principal Accounting Policies

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting in Further and Higher Education 2019* and in accordance with Financial Reporting Standard 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS102. The financial statements are prepared in accordance with the historical cost convention.

At 31 July 2020 the University held cash and cash equivalents of £13.8 million, while net current assets were £19.9 million and external borrowings in the form of £10.9 million unsecured loan from the SFC, which is fully repayable between 10 and 20 years, the last repayment by 31 July 2041. The planned spend against these loans has been delayed due to COVID, but planning for these projects is now progressing. Subsequent to the yearend the University at 31 October held cash and cash equivalents of £15.6 million, and had no further borrowing in place. The University has no covenant requirements for existing borrowing at 31 July 2020 and or within its current financial modelling.

The University Court has reviewed financial forecasts, including plans for future student recruitment, and after reviewing the assumptions utilised in the forecast scenarios, it is satisfied that the University is expected to be able to meet its commitments and obligations for at least the next twelve months from the date of the signing of this report, including under any plausible worst case scenario for future University financial performance during this period.

The forecast scenarios, covering the years 2020-21 to 2022-23 outline how the operational activities of the University are expected to gradually return to pre-pandemic levels. For budgetary control purposes the University put in place a programme of activity to reduce non essential expenditure in 2020-21, focusing on ensuring the University remained financially sustainable, and well positioned to deliver our strategic plan priorities, including the acceleration of our digital strategy. We have a review process in place to monitor progress through the year, including regular consideration of risks, reflecting the ongoing uncertainty arising from the pandemic, not least the potential impact on future student recruitment and retention, and Brexit. The main assumed reduction in income was in tuition fees, in particular overseas tuition fee income, along with a similar but smaller reduction in other income, particularly Residences income. In this scenario, the University is still forecasting significant liquidity throughout the next 12 months to February 2022, with the current headroom continuing under its current forecasting.

Based on this analysis, the University has concluded that it is considered appropriate to adopt a going concern basis for the preparation of these annual financial statements.

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

2. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

3. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when:

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

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

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

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes. There were none in 2020 or 2019.

4. Taxation

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

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

5. Income Recognition

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

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

6. Foreign Currencies

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

7. Related parties

During the year the University Secretary served on the board of APUC Ltd, with whom the University purchased goods to the value of £83k (2019 £74k). There was no balance outstanding on 31/7/19 or 31/7/20.

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

8. Stock

Stocks of catering supplies are valued at the lower of cost or net realisable value on the basis of first in first out. Where necessary, provision is made for slow-moving stock. The closing value was £8k (2019 £32k).

9. Supplier payments

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

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

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

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

For the year ended 31 July	Note	2019 Actual £000	2020 Actual £000
Income			
Tuition Fees and Education Contracts	1	9,782	10,480
Funding Body Grants	2	19,706	19,515
Research Grants and Contracts	3	2,061	2,394
Commercial Income		1,501	1,057
Other Income		949	1,601
Investment Income		452	333
Donations	6	291	604
Total Income		<u>34,742</u>	<u>35,984</u>
Expenditure			
Staff Costs	5	25,971	27,032
Other Operating Expenses		9,026	9,114
Depreciation	7	2,106	2,561
Interest and Pension Finance Costs		127	238
Total Expenditure	4	<u>37,230</u>	<u>38,945</u>
Surplus/(Deficit) Before Other Gains/Losses		<u>(2,488)</u>	<u>(2,961)</u>
Gain/ (Loss) on Disposals of Fixed Assets		0	6
Gain/ (Loss) on Non Current Investments		140	(878)
		<u>140</u>	<u>(872)</u>
Surplus Before Tax/for the Year		<u>(2,348)</u>	<u>(3,833)</u>
Actuarial Gain/ (Loss) in Respect of Pension Scheme		(4,156)	(14,293)
Other Comprehensive Income/(Expenditure)		4	(62)
		<u>(4,152)</u>	<u>(14,355)</u>
Total Comprehensive Income for the Year		<u>(6,500)</u>	<u>(18,188)</u>
Represented by:			
Restricted Comprehensive Income for the Year		3	(35)
Unrestricted Comprehensive Income for the Year		(6,565)	(17,819)
Endowment Comprehensive Income for the Year		62	(333)
		<u>(6,500)</u>	<u>(18,188)</u>

Abertay University - Statement of Financial Position (Balance Sheet)

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


	Note	2019 £000	2020 £000
Non-Current Assets			
Fixed Assets	7	37,069	37,390
Non-Current Investments		10,824	9,959
		<u>47,893</u>	<u>47,349</u>
Current assets			
Stock		33	8
Trade and Other Receivables	8	1,725	1,761
Cash and Cash Equivalents		5,105	13,780
		<u>6,863</u>	<u>15,549</u>
Less: Trade and Other Payables: amounts falling due within one year	9	<u>(5,581)</u>	<u>(5,862)</u>
Net Current Assets		<u>1,282</u>	<u>9,687</u>
Total Assets less current liabilities		<u>49,175</u>	<u>57,036</u>
Creditors due after one year - Loans	9	(922)	(10,884)
Provisions - Pensions	12	(10,141)	(26,227)
Total Net Assets		<u>38,112</u>	<u>19,925</u>
Restricted Reserves			
Endowment Reserve	6	953	587
Restricted Reserve	6	108	73
Unrestricted Reserves			
Income and Expenditure Reserve		37,051	19,265
Total Funds		<u>38,112</u>	<u>19,925</u>

The financial statements on pages 26 to 51 were approved by Court on 3 February 2021 and were subsequently signed on its behalf on 5 February 2021 by:

The accompanying notes and policies on pages 33 to 51 form part of these financial statements.



Professor Nigel Seaton
Principal & Vice-Chancellor



Mr Murray Shaw
Chair, University Court



Mr Gordon Weir
Director of Finance,
Infrastructure and Corporate
Services

Abertay University - Cash Flow Statement

	2019 Actual £000	2020 Actual £000
Cashflow from operating activities		
(Deficit)/Surplus for the year	(2,348)	(3,833)
Other Comprehensive Income	(4,152)	(14,321)
	<u>(6,500)</u>	<u>(18,154)</u>
Adjustment for non cash items		
Depreciation and impairment charges	2,107	2,561
Decrease/(Increase) in stock	(3)	25
Decrease/(Increase) in debtors	(116)	(36)
(Decrease)/Increase in creditors	2,014	281
(Decrease)/Increase in pension provision	6,314	16,086
Adjustment for investing or financing activities		
Investment Income	(413)	(289)
Donation/ Endowment Income	(69)	371
Gain on disposal of fixed assets	0	0
(Loss)/Gain on disposal of investments	118	118
Interest Income	(59)	(43)
Capital Grant Income	(482)	(443)
Net cash (outflow)/inflow from operating activities	<u>2,911</u>	<u>477</u>
Cashflows from investing activities		
Current and non-current investment income	413	289
Endowment income	289	54
Endowment expenditure	(228)	(420)
Restricted donations	4	4
	0	(39)
Fixed asset additions	(6,636)	(2,885)
Proceeds from sale of fixed assets	0	0
Non-current investment disposals/ (additions)	255	758
Income from disposal of current asset investments	(580)	(11)
Current asset investment disposals/(additions)	1,076	0
Capital Grant Receipts	482	443
Cash inflow/(outflow) from returns on investments and servicing of finance	<u>(4,925)</u>	<u>(1,807)</u>
Cashflows from financing activities		
Interest Income	59	43
New Loans	0	9,962
Cash inflow/(outflow) from capital expenditure and financial investments	<u>59</u>	<u>10,005</u>
Increase/(Decrease) in cash and cash equivalents in the year	<u>(1,955)</u>	<u>8,675</u>
Cash and cash equivalents at beginning of the year	7,060	5,105
Cash and cash equivalents at end of the year	<u>5,105</u>	<u>13,780</u>
Increase/(Decrease) in cash and cash equivalents in the year	<u>(1,955)</u>	<u>8,675</u>

Abertay University - Statement of Changes in Reserves

	Income and Expenditure Account			
	Endowment Reserves	Restricted Reserves	Unrestricted Reserves	Total £000
Balance at 1 August 2018	892	105	43615	44,612
Surplus/(Deficit) from the Statement of Comprehensive Income and Expenditure	123	5	(7,115)	(6,987)
Other Comprehensive Income	(62)	(2)	551	487
Total Comprehensive Income for the year	61	3	(6,564)	(6,500)
Balance at 31 July 2019	953	108	37,051	38,112

	Income and Expenditure Account			
	Endowment Reserves	Restricted Reserves	Unrestricted Reserves	Total £000
Balance at 1 August 2019	953	108	37,051	38,112
Surplus/(Deficit) from the Statement of Comprehensive Income and Expenditure	(33)	0	(18,417)	(18,451)
Other Comprehensive Income	(333)	(34)	631	264
Total Comprehensive Income for the year	(366)	(34)	(17,788)	(18,188)
Balance at 31 July 2020	587	73	19,264	19,926

Notes to the Financial Statements

Note 1: Income – Tuition Fee and Educational Contracts

a. Accounting policy

Fee Income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income and Expenditure over the period of study. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

	2019 Actual £000	2020 Actual £000
Scottish and EU Student Fees		
Undergraduate	6,125	6,723
Post Graduate Taught	1,309	771
Post Graduate Research	37	249
	<u>7,471</u>	<u>7,743</u>
RUK Student Fees		
Undergraduate	908	1,202
Post Graduate Taught	24	52
	<u>932</u>	<u>1,254</u>
Non EU (International) Fees	1,370	1,470
Other Fees	9	12
	<u>9,782</u>	<u>10,479</u>

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

	£000	£000
Full Time		
Scottish and EU Students	5,991	6,290
RUK Students	888	1,183
Non EU (International Students)	1,370	1,728
	<u>8,249</u>	<u>9,201</u>
Part Time	1,533	1,278
	<u>9,782</u>	<u>10,479</u>

Notes to the Financial Statements

Note 2: Funding Body Grants

a. Accounting policy

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

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

	2019 Actual £000	2020 Actual £000
SFC Recurrent Grants		
Teaching Grant	16,487	16,538
Research Grant	1,457	1,354
Regional Coherence	874	874
	<u>18,818</u>	<u>18,766</u>
SFC Specific Grants		
Capital Maintenance	482	443
Wider Access	293	295
Other	113	11
	<u>888</u>	<u>749</u>
Total Funding Body Grant Income	<u><u>19,706</u></u>	<u><u>19,515</u></u>

Notes to the Financial Statements

Note 3: Research Grant and Contract Income

a. Accounting policy

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

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

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

	2019 Actual £000	2020 Actual £000
Biotechnology & Biological Sciences Research Council (BBRC)	0	22
Medical Research Council (MRC)	0	34
Natural Environmental Research Council (NERC)	131	66
Engineering and Physical Sciences Research Council (EPSRC)	57	10
Economic and Social Research Council (ESRC)	3	29
Arts and Humanities Research Council (AHRC)	560	1,098
UK Research and Innovation (UKRI)	214	216
Royal Society, British Academy and Royal Society for Edinburgh (RSE)	63	33
Research Council Total	1,028	1,508
UK Charities	527	350
UK Government	94	136
UK Industry	157	172
EU	249	214
Other	6	13
Total Research Grant and Contract Income	2,061	2,393

Notes to the Financial Statements

Note 4: Analysis of Total Expenditure by Activity

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

£000	2019 Actual	Academic Staff Costs	Other Staff Costs	Total Staff Costs	Other Operating Expenses	Depreciation	Interest and Other Finance Costs	2020 Actual
Academic Departments	13,395	11,358	793	12,151	747	307	0	13,205
Academic Services	4,349	4	2,451	2,455	1,709	150	0	4,314
Administration & Central Services	10,281	62	6,769	6,831	5,059	97	0	11,987
Premises	4,414	0	1,095	1,095	1,418	1,869	0	4,382
Residences & Catering Operations	637	0	241	241	169	138	0	548
Research Grants & Contracts	2,056	333	1,108	1,441	952	0	0	2,393
Pension Cost Adjustment	1,940	0	1,871	1,871	0	0	238	2,109
Other	158	0	6	6	0	0	0	6
	37,230	11,757	14,334	26,091	10,054	2,561	238	38,944
2019 Comparison		11,679	14,292	25,971	9,025	2,107	127	37,230

Other Operating Costs include:

External Auditors remuneration in respect of audit services £68k (2019 - £44k)

Internal Auditors remuneration in respect of audit services £34k (2019 £44k)

Operating Lease rentals £25k (2019 £12k)

Notes to the Financial Statements

Note 5: Staff Expenditure

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

	2019 Actual £000	2020 Actual £000
Staff Costs		
Wages and salaries	18,580	18,971
Social security costs	1,907	1,900
Employer Contribution - Pension Costs	2,941	3,383
Underlying Staff Expenditure	23,428	24,254
Severance Costs	730	907
Pension service costs	1,813	1,871
Total Staff Expenditure	25,971	27,032

Underlying staff expenditure adjusts the total staff expenditure for severance and pension service costs. Underlying staff costs in 2020 were £24.2m, up 3.5% driven by the 1.8% (average) annual pay award (from August 2019), and increase in employer pension contributions.

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

b. Average staff numbers, expressed as FTE

Average salaried FTEs reduced to 442. The number of support staff fell to an average of 253 FTE (a continuation of the long-term trend). Academic FTEs also decreased to an average of 189.

Average staff numbers by major category, expressed as FTE :

	2019 Actual	2020 Actual
Number FTE		
Academic Staff	203	189
Support Staff	259	253
	462	442

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

c. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Key Management Personnel are considered to be the Executive Group, made up of Principal and Vice Chancellor, University Secretary, and Vice Principals.

	2019 Actual £000	2020 Actual £000
Key management personnel compensation	527	618

d. Emoluments of the Principal

	2019 Actual £000	2020 Actual £000
Salary	217	219
Employer's contribution to pension	3	4
	<u>220</u>	<u>223</u>

- No bonus or other taxable benefits were paid to the Principal during the year.
- The increase in total emoluments is less than the nationally negotiated pay award for staff on the national pay spine.
- The median salary multiple, (where median salary is total staff expenditure/ average staff is £42k 2019(£43k) to Principal's salary is 5.3 (2019 5.1).

e. Emoluments of other key management personnel

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

	2019 Actual	2020 Actual
Number FTE		
£100,001 - £110,000	0	0
£110,001 - £120,000	1	0
£120,001 - £130,000	0	1
£130,001 - £140,000	1	1

In 2020 an amount of £678k in respect of two members of staff for whom the aggregate cost of a severance package was in excess of £150k. The severance arrangements were approved in accordance with the University's Severance Statement, including consultation with the SFC's Accountable Officer and the External Auditor prior to approval, as required.

In 2019, no severance packages were applied which cost in excess of £100k.

All severance payments, including compensation for loss of office, are approved in accordance with the processes set out in the University's Severance Statement, which is in accordance with the SFC's Financial Memorandum.

f. Court Members

The University Court members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Court, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Court may have an interest. All transactions involving organisations in which a member of the Court may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

In 2019 and 2020, no Court member received remuneration or waived payments from the University. The total expenses paid to or on behalf of 7 Court members was £2k (2019 £3k). This represents travel and subsistence expenses incurred in attending Court, Committee Meetings and charity events in their official capacity.

Notes to the Financial Statements

Note 6: Donations and Endowments

a. Accounting policy

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

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

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

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

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

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

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

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

All new endowments and donations are recognised as income (upon entitlement).

	2019 Actual £000	2020 Actual £000
Restricted Donations	4	4
Donations with no Restrictions	287	600
Total Income	291	604

c. Reserves reported on the Balance Sheet

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

Restricted Endowment Reserves

Restricted Endowment Reserves are held as Current Asset Investments.

	2019 Actual £000	Permanent £000	Expendable £000	2020 Actual £000
Balance at 1 August	892	142	812	953
New Endowments	289	0	54	54
Expenditure	<u>(228)</u>	<u>(75)</u>	<u>(345)</u>	(420)
Total Endowment Comprehensive Income for the Year	<u>61</u>	<u>(75)</u>	<u>(291)</u>	(366)
Balance at 31 July	<u>953</u>	<u>67</u>	<u>521</u>	<u>587</u>
Split of Endowment Reserves by Purpose				
Scholarship Funds	316	27	11	38
Prize Funds	135	0	122	122
Other Funds	<u>502</u>	<u>40</u>	<u>387</u>	427
	<u>953</u>	<u>67</u>	<u>520</u>	<u>587</u>

Other Restricted Reserves

	2019 Actual £000	2020 Actual £000
Restricted Donations		
Balance at 1 August	105	108
Income	4	4
Expenditure	<u>0</u>	39
Total Restricted Comprehensive Donation Income for the Year	<u>4</u>	43
Balance at 31 July	<u>108</u>	<u>73</u>
Split of Restricted Donations by Purpose		
Research Support	66	69
Prize Funds	5	4
General	<u>37</u>	0
	<u>108</u>	<u>73</u>

Notes to the Financial Statements

Note 7: Fixed Assets

a. Accounting policy for Fixed Assets

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

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

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

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

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

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

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

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

b. Fixed Assets reported on the Balance Sheet

	Freehold Land and Buildings	Equipment	2019 Total
	£000	£000	£000
Cost			
At 1 August 2019	50,236	6,443	56,679
Additions	2,278	607	2,885
Disposals	0	(288)	(288)
At 31 July 2020	52,514	6,762	59,276
Accumulated Depreciation			
At 1 August 2019	(15,344)	(4,267)	(19,611)
Additions	(1,739)	(823)	(2,562)
Eliminated in respect of disposals	0	288	288
At 31 July 2020	(17,083)	(4,802)	(21,885)
Net Book Value			
At 31 July 2020	35,431	1,960	37,391
At 31 July 2019	34,892	2,176	37,068

Notes to the Financial Statements

Note 8: Trade and Other Receivables

a. Accounting policy

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

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

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

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

b. Trade and Other Receivables reported on the Balance Sheet

	2019 Actual £000	2020 Actual £000
Trade Debtors	303	295
Student Debtors	14	26
Accrued Income	225	180
General (Individual items <£50k)	751	817
Tuition Fees Income	32	32
SFC Income	41	41
Research Project Income	359	369
Prepayments	<u>1,183</u>	<u>1,259</u>
Trade and Other Receivables	<u><u>1,725</u></u>	<u><u>1,760</u></u>

Notes to the Financial Statements

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

a. Accounting policy

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

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

b. Trade and Other Payables reported on the Balance Sheet

	2019 Actual £000	2020 Actual £000
Trade Payables	384	255
Student Accounts	570	298
Salix Monies	146	200
Other	143	129
Other Payables	859	627
Social Security and Other Taxation Payable - Holiday Pay Provision	436	562
Deferred Income - Research Project Income	1,396	2,710
Unsecured Loans due within one year	154	343
Tuition Fees	0	133
SFC	111	164
Severance	285	698
Contract Works/ Purchase Orders	1,451	93
Other	505	278
Accruals	2,352	1,366
Trade and Other Payables : amounts falling due within one year	5,581	5,863

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

	2019 Actual £000	2020 Actual £000
Unsecured loans due after one year	922	10,884

Notes to the Financial Statements

Note 10: Loans

a. Accounting policy

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

b. Loans from Scottish Funding Council (Solar PV and LED Lighting, Carbon Reduction (interest free loans) and Financial Transactions Loans (repayable at a rate of 0.25% per annum))

	2019 Actual £000	2020 Actual £000
Analysis of Unsecured Loans		
Due within one year and on demand	154	343
Due between one and two years	665	665
Due between two and five years	257	1,994
Due in five years or more	0	8,225
	<u>1,076</u>	<u>11,227</u>
Total Unsecured Loans	<u>1,076</u>	<u>11,227</u>
Unsecured Loans repayable by 2030	1,076	0
Unsecured Loans repayable by 2041	0	11,227
	<u>1,076</u>	<u>11,227</u>

Note 11: Lease Obligations

a. Accounting policy

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

b. Rental commitments under non-cancellable operating leases expiring

	2019 Actual £000	2020 Actual £000
Commitments under non cancellable operating leases expiring - Other:		
Within one year	13	13
Between two and five years	15	15
	<u>28</u>	<u>28</u>

Notes to the Financial Statements

Note 12: Pension Overview

a. Schemes

Staff are eligible to join one of three pension schemes:

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

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

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

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

During the year to 31 July the total cost of these pension arrangements for the University was £3,383k (2019 - £2,941k). This includes £0 (2019 - £0) of outstanding contributions at the balance sheet date.

	2019	2020
	£000	£000
STSS	1,464	1,945
TSF	1,365	1,359
USS	112	79
Total Pension Cost	2,941	3,383

c. Pensions as reported on the Balance Sheet

	31/07/2019	STSS	USS	TSF	31/07/2020
	£000	Pension	Pension	Pension	£000
		£000	£000	£000	
At 1 August	3,827	0	442	9,699	10,141
Movement in year	6,314	0	(298)	16,384	16,086
At 31 July	<u>10,141</u>	<u>0</u>	<u>144</u>	<u>26,083</u>	<u>26,227</u>

d. Further detailed notes

STSS – note 13.

TSF – note 14.

USS – note 15.

Notes to the Financial Statements

Note 13: Pension - Scottish Teachers' Superannuation Scheme

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

Accounting Policy

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

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

The latest actuarial valuation of the STSS received from the Scottish Public Pensions Agency (formerly the Scottish Office Pensions Agency) was at 31 March 2016. Employer contribution rates are reviewed every 5 years and following the scheme valuation by the Government Actuary contribution rates from 1 April 2009 were set at 14.9%. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred and they reflect past experience of the scheme. The employers' contribution was 17.2% until 31/8/19 and increased to 23% from 1/9/19 to 31/3/23. The employees' contribution varied between 7.2% and 11.9% throughout the year dependent on annual salary.

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

Notes to the Financial Statements

Note 14: Pension - Tayside Superannuation Fund

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

a. Accounting Policy

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

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

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

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

b. Actuarial Valuation

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

c. Financial Assumptions

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

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

	2019	2020
Discount Rate	2.1%	1.4%
Pension Increases	2.4%	2.3%
Salary Increases	3.4%	3.3%
Retail Prices Index	3.4%	3.3%
Consumer Prices Index	2.4%	2.3%

Demographic / Statistical Assumptions –

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

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

Life expectancy from age 65 (years)		2019	2020
Retiring today	Males	19.7	19.7
	Females	21.6	21.7
Retiring in 20 years	Males	21.3	21.4
	Females	23.5	23.6

The estimated asset allocation in the scheme was:

	31 July 2019		31 July 2020	
	£000	%	£000	%
Equities	56,106	70%	57,219	70%
Gilts	3,809	5%	4,285	5%
Other Bonds	9,783	12%	10,567	13%
Property	9,063	11%	8,377	10%
Cash	1,439	2%	1,334	2%
	40	0%	56	0%
Total	80,240	100%	81,838	100%

d. FRS 102 Combined Disclosures

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

	2019	2020
	£000	£000
Service Cost	2,917	3,508
Net Interest on the Defined Liability/(Asset)	191	191
Administration Expenses	38	29
Total Pension Cost	3,146	3728

Change in Actuarial Value of Scheme Liabilities:

	2019	2020
	£000	£000
Opening Defined Benefit Obligation	78,837	89,939
Current Service Cost	2,503	3,146
Interest Cost	2,074	1,875
Change in Financial Assumptions	9,858	14,310
Change in Demographic Assumptions	(2,609)	0
Experience Loss/(Gain) on Defined Benefit Obligation	0	0
Estimated Benefits Paid Net of Transfers In	(1,821)	(2,204)
Contributions by Scheme Participants and Other Employers	500	524
Unfunded Pension Payments	(32)	(31)
Past Service Costs, including Curtailments	629	362
Actuarial Value of Scheme Liabilities at End of Year	89,939	107,921

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

	2019	2020
	£000	£000
Opening Fair Value of Fund Assets	75,223	80,240
Interest on Assets	1,993	1,684
Return on Assets Less Interest	3,093	17
Other Actuarial gains/(losses)	0	0
Administration Expenses	(35)	(29)
Contributions by Employer Including Unfunded	1,319	1,637
Contributions by Scheme Participants and Other Employers	500	524
Estimated Benefits Paid Plus Unfunded Net of Transfers In	(1,853)	(2,235)
	<u>0</u>	<u>0</u>
Closing Fair Value of Fund Assets	<u>80,240</u>	<u>81,838</u>

	2019	2020
	£000	£000
Return on Fund Assets in Excess of Interest	3,093	17
Other Actuarial Gains/(Losses) on assets	0	0
Change in Financial Assumptions	(9,858)	(14,310)
Change in Demographic Assumptions	2,609	0
Experience Gain/(Loss) on Defined Benefit Obligation	0	0
	<u>(4,156)</u>	<u>(14,293)</u>
Re-measurement of the Net Assets/(Defined Liability)		

Sensitivity Analysis Current Financial Year:

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	105,651	107,921	110,241
Projected service cost	3,693	3,788	3,885
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	108,219	107,921	107,625
Projected service cost	3,790	3,788	3,786
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	109,920	107,921	105,965
Projected service cost	3,883	3,788	3,696
Adjustment to life expectancy	+ 1 Year	None	-1 Year
Present value of total obligation	112,939	107,921	103,134
Projected service cost	3,943	3,788	3,639

Notes to the Financial Statements

Note 15: Pension - Universities Superannuation Scheme

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

a. Accounting Policy

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

The institution participates in Universities Superannuation Scheme. The 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 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) with related expenses being recognised through the profit and loss account.

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

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2020 is underway but not yet completed.

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 2018 valuation was the fifth 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 £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

b. Financial Assumptions

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

	2019	2020
Discount Rate	2.44%	2.59%
Pensionable Salary Growth	2.11%	4.20%

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 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

2018 valuation

Mortality base table

Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females

Post retirement: 97.6% of SAPS S1NMA “light” for males and 102.7% of RFV00 for females

Future improvements to mortality CMI_2017 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:

	2017 Valuation	2018 Valuation
Males currently aged 65 (years)	24.6	24.4
Females currently aged 65 (years)	26.1	25.9
Males currently aged 45 (years)	26.6	26.3
Females currently aged 45 (years)	27.9	27.7

c. Pension Provision

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

INTEGRATED REPORT



2019/20

