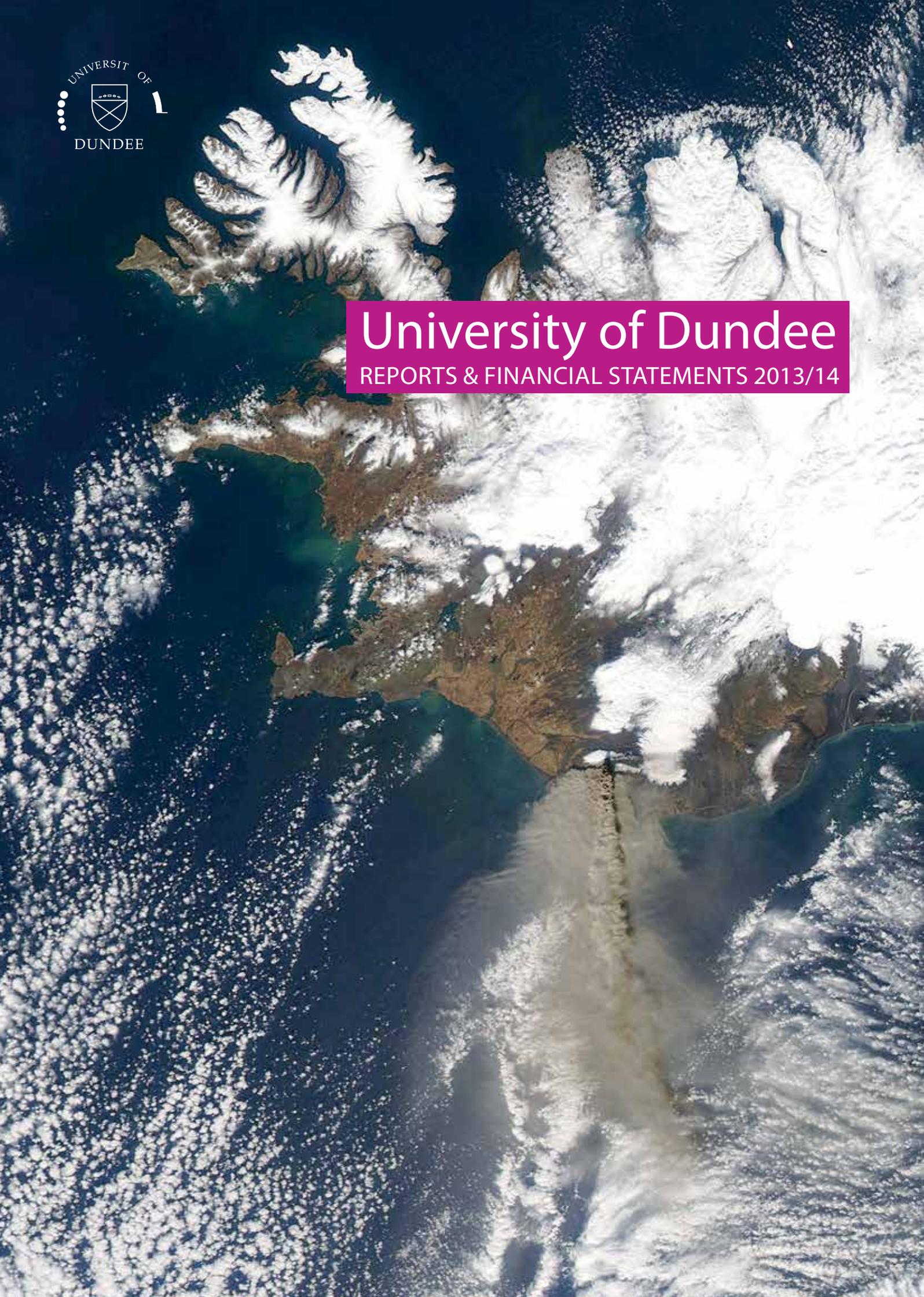




# University of Dundee

REPORTS & FINANCIAL STATEMENTS 2013/14



*Front cover image*

Image of Iceland's *Eyjafjallajökull* volcano erupting on 17th April 2010 with the ash plume streaming southwards.

Received by the University's Satellite Receiving Station from the NASA satellite Aqua.

# Reports and financial statements for the year ended 31 July 2014

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# Principal's Report



In my introduction to last year's Annual Report, I focused on the long-term vision for the University which has the aim of making Dundee Scotland's leading institute of higher education by 2037. The vision deliberately established a long-term goal with sights set high, something which we can aspire to and which can influence the culture of our University for a generation and beyond. By contrast our strategy and the operational requirements to deliver the vision are described as a series of milestones at 5 year intervals with key performance indicators to illuminate our progress.

So how are we doing, now that we are two years into our chosen timescale? I think this past year has offered excellent examples of what we can achieve and which match our theme of 'transforming lives'. It has also undoubtedly illustrated the significant challenges we face, principally financially. We did not launch our vision in the most promising of economic climates, of course, but it was obvious we could not wait for fairer weather to come along.

Whilst the vision focuses on a core purpose and underpinning values we also need to improve our financial performance to give us the capacity to invest in our future. I believe that some of our highlights from the past year offer clear evidence of exactly what can be achieved when we are able to make these kinds of investments and the timescales over which we can expect them to deliver. I will offer three examples:

- **The Queen's Anniversary Prize for Higher Education**

The University was a recipient of this, one of the highest awards in the sector, for the work of the Centre for Anatomy and Human Identification. Professor Sue Black and her colleagues have made Dundee a world-renowned centre of excellence, with a huge impact on society. For example, their pioneering work in developing techniques to identify offenders by examining their hands has helped secure two life sentences and over 100 years of incarceration for perpetrators of child abuse. The Centre was established just over a decade ago, when the opportunity arose to support and invest in what was a completely new area of research and teaching. The results have been formidably impressive.

- **The Discovery Centre for Translational and Interdisciplinary Research**

Our world-class biomedical sciences continue to grow and develop with the opening of the Discovery Centre, which will add around 180 new, externally funded, high value jobs for Scotland's Life Sciences sector. They will join around 900 scientists, research students and support staff from 61 countries who are already based in the College of Life Sciences at Dundee.

We see here the rewards of building a 'critical mass' of excellence, as it is our considerable strength which has helped leverage funding from a range of sources across the UK. The University investment in the construction of the Discovery Centre was £5 million, against which a further £20 million of investment was raised from external sources. The Centre is home to researchers supported by grants totalling over £26 million, bringing the total investment to over £50 million.

- **Student learning and experience**

Dundee was once again voted top in Scotland in the Times Higher Education student experience survey, while we also returned our best ever scores in the other main barometer of student satisfaction, the National Student Survey, and performed extremely well in the International Student Barometer. We have been top in Scotland in the Times Higher Education poll for five years running, while our Students' Union is consistently voted among the very best in the UK.

I believe this goes a long way to justifying some of our previous major investments and the vision that supported them. Around £200 million has been invested in the campus since the turn of the Millennium, providing high quality student residences which now enjoy very high occupancy rates, a much admired library and learning resource centre that is tailored to the needs of our students and new teaching spaces which provide staff and students with high quality facilities.



In addition, we have also strived to enhance our relationship with the Students Association, with whom we work closely to put the student voice at the heart of so much of what we do.

All of these investments have had a hugely positive impact on the University's reputation. It is vital that we have the capacity to make similar investments in the future, and to act when we identify opportunities that can grow and strengthen the University. Strong finances are needed to allow us to act decisively and to leverage our latent borrowing capacity in order to grow and develop the University in a sustainable way.

There is a considerable challenge, therefore, in the short term, sustainably to improve revenues. Currently we are projecting a deficit budget for 2014/15, which with much effort we expect to return to a modest surplus in the following two years.

This recognises the financial pressures we currently face and others we anticipate. These include:

- unprecedented pressures on public spending combined with significant rises in costs in pay, pensions and National Insurance contributions
- the continuing requirement to make year on-year efficiency gains
- a recent decline in our recruitment of students from unregulated markets, both in the UK and overseas (which we are beginning to reverse)
- constraints on capital funding, with a budget that has been reduced to 40% of pre-recession levels

This situation creates a financial paradox with a strong cash position (due to the strength of research income received in advance of spend), but where our weak revenue position means it would be unwise to borrow. The fact that we have no borrowing is unusual and means we have enormous reserves of investment potential provided we can fix our revenue issues. To do this, we must restrict our costs and invest selectively to seize and develop opportunities to grow unregulated sources of income. This is the motivation driving the process of change across many areas of the University.

In this regard we instigated a voluntary severance scheme for academic staff, carried out a rationalisation of biomedical teaching, and are completing a thorough analysis of the links between the academic and financial performance of Schools, as well as a systematic review of our structure.

We have identified unregulated teaching income – the recruitment of students from the rest of the UK and overseas (not EU) – as the best source of potential income to create a margin on costs. Key investments in student recruitment, marketing and external relations are being made to boost our performance across the area. For example, this year we launched our ‘testdrivedundee’ initiative to bring prospective students from elsewhere in the UK to the campus for prolonged visits and have seen a considerable impact as they spread news of their trip to Dundee back to their friends and families. The message that Dundee offers one of the best learning environments for students in the UK, and at very good value, is getting through to applicants thanks to the efforts of our staff in the student recruitment teams and External Relations.



With the appointment of a new Head of Marketing we will be increasing our efforts in that area. Already we have seen positive signs from the autumn student intake this year, where our undergraduate recruitment from the rest of the UK has returned to a much healthier level. That is an upward trend that we will be working hard to maintain.

Across our teaching and research activity we have been implementing policies and criteria which demonstrate a commitment to excellence. In our submission to the Research Excellence Framework we decided that the bar would be set at the level of 3- and 4-star research. We have to ensure that the research we are doing is of the highest quality and fits into the ideals of the Transformation vision.

We have put a great amount of effort into supporting teaching excellence, establishing promotion criteria for teaching and developing an ethos of strong, innovative and performance-enhancing teaching. Having a fantastic student union and great accommodation would not count for much if we didn't have inspirational teaching at the heart of the student experience. I see great teachers at work across the University and we must do everything we can to continue to support them.

We are already developing new ventures. This year already we have made moves to create a number of new research institutes in the Humanities - the Scottish Centre for Global History, Scottish Centre for Continental Philosophy, the Centre for Scottish Culture and the European Institute for Security and Justice - broadening the expertise of our Humanities research as well as building on existing strengths. We must be able to continue to strike out in new directions, develop new expertise and deliver the teaching and research that is vital to society.

It is clear we have challenges ahead. But we have seen in this past year what we can achieve when we set our sights high, when we have the capability to identify and invest in areas of potential and make the most of our considerable strengths.



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





# Operating and Financial Review

## ● Scope of the Financial Statements

The financial statements, presented to the University Court, have been prepared on a consolidated basis and include the results of the University of Dundee and its subsidiary companies. Details of the Group are listed within note 33 of the financial report.

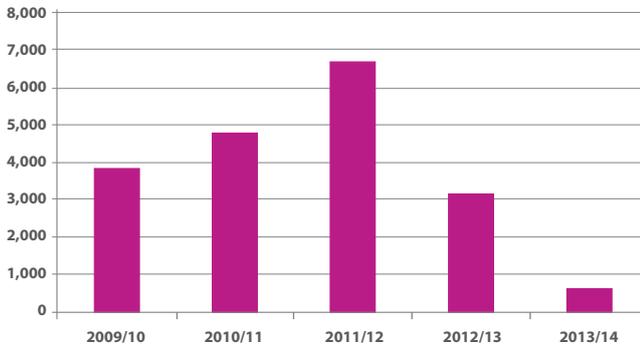
## ● Results for the Year

The financial results for the year were in line with expectations. The decline in the surplus before restructuring costs reflects the investment in new posts which are designed to support the strategic development of the University in both teaching and research. It also reflects additional pension costs following the implementation of auto enrolment in May 2013.

A voluntary severance scheme was launched in March 2014 to better position the University financially ahead of a period of uncertain income growth and increasing employment costs. By the end of the year applications from 45.9 full time equivalent (fte) employees had been approved. The expected annual savings are £3,162k.

● Fig. 1	2013/14 £m	2012/13 £m
Total income	243.1	226.6
Total expenditure before restructuring costs	( 242.4 )	( 223.4 )
<b>Operating surplus before restructuring costs</b>	<b>0.7</b>	<b>3.2</b>
Restructuring costs	( 2.5 )	-
Other items	0.2	0.3
<b>(Deficit) / surplus for the year</b>	<b>( 1.6 )</b>	<b>3.5</b>

● Fig. 2 **Operating surplus before restructuring costs (£'000)**



There was significant growth in income from research councils which increased by £5.8m or 34.2% with a further £3m or 12.4% increase in funding from UK charities. Research funding from the European Commission continues to grow steadily having increased by 63.4% over the last five years.

Income from tuition fees and education contracts increased by 1.9% to stand at £40.9m. Fees for students from outside the European Union account for 38% of the total. This figure is expected to grow in the future supported by investments in student recruitment and building on Dundee's reputation as the leading university in Scotland for student experience.

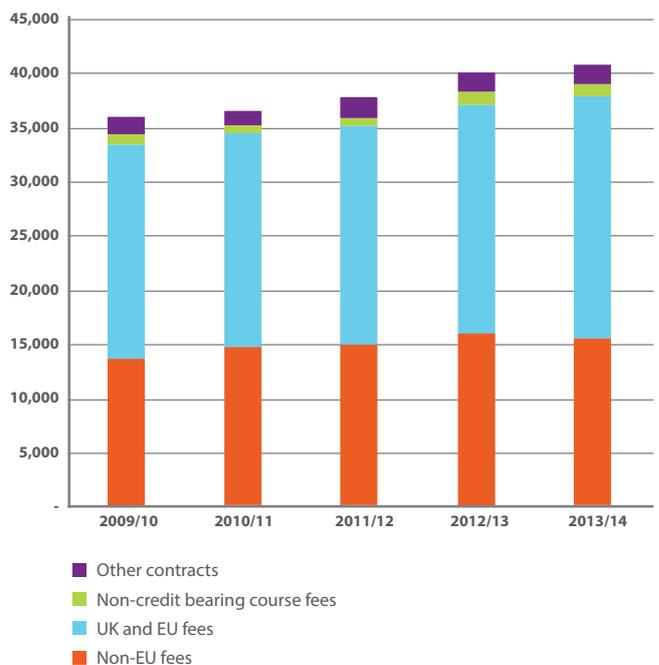
● **Income**

Total income for the year increased by 7.3% to stand at £243.1m. Within this total, income from the Scottish Funding Council (SFC) increased by 8.1% to £87.6m representing 36% of total income. Research grants and contracts was the other main area of growth increasing by 15.5% to £79m following two record years for research awards.

● Fig. 3 **Research grants and contracts (£'000)**



● Fig. 4 **Tuition fees and education contracts (£'000)**





## ● Expenditure

Total expenditure increased by £21.5m or 9.6% to £244.9m. Excluding restructuring costs the increase was £19m or 8.5%.

Staff costs increased by £7.5m or 5.7% of which £4.7m related to the research grants and contracts and a further £1m to the impact of the automatic enrolment of staff into pension schemes.

Other operating expenses increased by £8.9m. This includes the expenditure associated with the £10.6m increase in research grants and contracts as well as increases in the costs related to maintaining and running the University's estate.

Depreciation increased by £2.9m although this was largely offset by the £2.2m increase in the release of deferred capital grants.

## ● Results of Associated Company

Dundee Student Villages (DSV) is accounted for as an associated company. It is a special purpose vehicle which was established to build and operate the University's student residences. In line with the original financial model accounting losses are expected to be incurred in the first years of operation. DSV continues to perform ahead of its funding requirements due to levels of occupancy being higher than originally planned together with maintenance expenditure being tightly controlled. The market for student residences in Dundee remains very competitive and DSV has responded by holding rental increases below the rate of inflation while also investing in wi-fi across the estate. This has maintained the attractiveness of the accommodation with occupancy for 2014/15 expected to be above 99%.

## ● Capital Expenditure

Work continued through the year on the £26m investment in the Discovery Centre, a new building which will allow further development of our drug discovery programmes in neglected tropical diseases and in other areas of unmet medical need, such as cancer, inflammation and eczema. The Centre will also house a new research division of Computational Biology, incorporating Bioinformatics, Biophysics, Data Analysis and Software Development, and a laboratory for Quantitative Proteomics, integrating expertise in cell biology, mass spectrometry and "big-data" analytics.

The Discovery Centre has been funded from a mix of public, private and charity sources, including a peer-reviewed Wellcome-Wolfson Capital Award in Biomedical Science of £5 million, with matched funding by The University of Dundee, and a £12 million award through the UK Research Partnership Investment Fund.

The Centre was opened on 1 October 2014 by Professor Sir Paul Nurse, Nobel laureate and President of the Royal Society.

The Ninewells Cancer Campaign (NCC) continues to raise funds which support cancer work at Ninewells Hospital. A Special Appeal was launched in 2011 in memory of Dr Jacqui Wood and this has now raised £1.7 million towards the completion of the Jacqui Wood Cancer Centre and assisted with the cost of equipment and key new roles.

All money donated to NCC is spent locally in consultation with clinical and scientific assessors on the NCC Committee and, if necessary, specialist advice from within or outwith the University and Ninewells.

## ● Treasury and Investments

Cash and investments fell by £7.5m to £32.6m after having repaid a loan of £8.5m in January 2014. The University's strong cash position continues to be supported by research grants and other income being received in advance of the work being undertaken. Surplus funds are deposited for periods of up to 12 months with financial institutions which meet criteria specified within the University's treasury policy. This policy is reviewed annually by the Finance and Policy Committee.

At the year end balances of €22.6m were held within cash and short term deposits to provide a hedge against research funding, denominated in euros, received in advance.

The University has in place a revolving credit facility of up to £34m. The nature of the facility allows the University to borrow only to the extent necessary to meet cash requirements. This facility expires in 2016.

The value of endowments increased by £0.9m during the year mainly due to a £0.6m increase in the market value of the endowment assets. These continue to be managed by independent fund managers whose performance is monitored by the University's Finance and Policy Committee.

## ● Supplier Payments

The University supports the Prompt Payment Code in its relationships with suppliers. It is the University's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the University and its suppliers, provided that all trading terms and conditions have been complied with. At 31 July 2014 the University had an average of 32 days' purchases outstanding in trade creditors. Interest paid under the Late Payments of Commercial Debts (Interest) Act 1998 was £nil.

## ● Pensions

The main pension schemes of the Group are the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation Scheme (UODS). A detailed statement of these schemes is shown in note 32 of the financial report, which has been prepared in accordance with FRS 17.

Following the triennial valuation of UODS undertaken as at 1 August 2011, the University's normal pension contributions remain at 22.1% of pensionable earnings. This level of contribution (including cost of death in service) has been fixed to recover the deficit in the pension fund, identified in the valuation, over a period ending 31 August 2020. A valuation of the scheme as at 1 August 2014 is currently underway.

The University's pension contribution rate to USS continues to be 16%. However, due to the persistent deficit on this scheme significant changes to both benefits and contribution rates are currently being considered. Consultation on the proposed changes with the members is anticipated during the first quarter of 2015 with implementation of changes expected in April 2016.

## ● Equality and Diversity

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

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

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





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

In addition to the mandatory online modules, all staff have the opportunity to attend a range of equality and diversity training sessions offered each year by the University's Disability Services, Organisational and Professional Development (OPD) and InspirEd programmes. This includes specific training on supporting students and staff with a range of disabilities and training on the provision of an inclusive learning and working environment. The University is also committed to providing students with an appropriate training programme which will develop, enhance and raise their understanding of equality and diversity issues.

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

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

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

The Athena SWAN Charter is a scheme that recognizes excellence in science, technology, engineering, mathematics and medicine (STEMM) employment for women in academia. The University signed up to the Charter in 2011 which has six key principles:

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

The University of Dundee was delighted to receive a Bronze Athena SWAN award in April 2014.

## ● Principal Risks and Uncertainties

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

The most significant risks and the actions taken to minimise their impact are:

- Failure to increase the recruitment of students from the Rest of the UK (RUK) and outside the EU resulting in low or no growth in tuition fee income

Various activities are underway to improve the marketing of the University's courses building on its improved scores in the National Students' Survey and its reputation for one of the best student experiences in the UK. New overseas markets will also be explored to reduce reliance on a small number of key countries.

- Reduction in public funding for universities

The University remains engaged in the debate over public funding for the sector both within Scotland and the wider UK through its membership of Universities Scotland and Universities UK.

- The persistent deficits on the University's pension schemes result in significant increases in employers' contribution rates to fund the deficits

The University has been fully involved in the debate around the deficit on the Universities Superannuation Scheme (USS) ensuring that its views are properly considered in the proposals to change both contribution rates and pension benefits.

- Loss of reputation caused by poor governance or failure to manage significant issues appropriately could result in weaker recruitment of students, reduced attractiveness for research funders and difficulties in attracting and retaining key staff

There is continued focus on developing and improving governance in all aspects of the University's activities. In addition management development activities are developing a better understanding of these key issues across the University and will be supplemented by improved internal communication.

## ● Financial Outlook

The next few years will be a period of considerable financial uncertainty for the higher education sector. The removal of the student numbers cap in England is likely to have a significant impact on student recruitment while the outcome of the Research Excellence Framework will have a lasting impact on the financing of research. Employment costs will also increase in the face of persistent deficits on pension schemes and changes to National Insurance rates. Against this background the University Court approved a budget for 2014/15 showing a deficit of £2.7m before restructuring costs of £0.5m. To ensure the University moves back into surplus within a reasonable time the focus will be on both developing new sources of income and reducing costs.

Income growth is expected to come mainly from increasing the number of overseas students studying at Dundee. To achieve this, additional resources have been committed to marketing and student recruitment, and new courses are being developed to meet expected demand.

With staff costs representing a significant part of total costs it is unfortunate that much of the cost saving will come from reducing the number of employees at the University. At its meeting in January 2014 Court approved the reduction in headcount of between 80 and 120. A voluntary severance scheme was launched in March 2014 and by the end of the year 45.9 fte roles had been removed which will result in annual savings of £3.2m.



**Eric F Sanderson**  
Chairman of Court



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

# Corporate Governance

This report covers the period from 1 August 2013 to 15 December 2014.

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

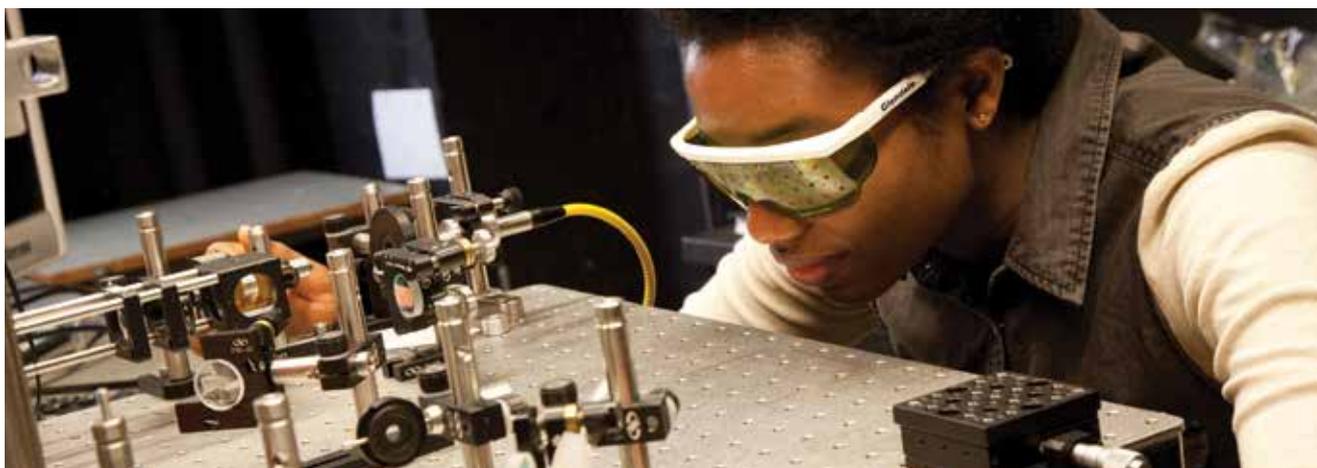
Since the publication of the Scottish Code of Good Higher Education Governance (the Code) in July 2013, the University has been working towards full compliance with the main principles outlined in the Code along with the guidelines that support these principles, although the University was generally compliant with many of the principles set out in the Code prior to its publication. During 2014, the University Court (its governing body, see below) carried out an externally facilitated review of its effectiveness, in line with Main **Principle 16** of the Code. This review looked at all aspects of Court effectiveness and its final report was presented to the Court at its meeting on 27 October 2014 [www.dundee.ac.uk/academic/court](http://www.dundee.ac.uk/academic/court). Agreement at that meeting of a number of recommendations for change means that the University is now either fully compliant with the Principles in the Code or will be in as short a timeframe as possible. The Court would make the following observations in relation to its compliance with various Principles in the Code:

- At its meeting on 27 October 2014, the Court adopted a revised Statement of Primary Responsibilities in line with the guidance in the Code (**Principle 5**), and this statement is available online at: [www.dundee.ac.uk/academic/court/statementofpr.htm](http://www.dundee.ac.uk/academic/court/statementofpr.htm);
- In observation of guidance in the Code (**Principle 7**), the Court has specifically identified the holder of the post of Chancellor's Assessor as senior independent member

to act as an intermediary for members wishing to raise concerns about the Court or its Chair. At its meeting on 27 October 2014, however, the Court decided to discontinue the role of Chancellor's Assessor and instead introduce the role of Deputy Chairperson of Court, who would also be senior independent member. This change will require Privy Council approval in due course.

- During its annual retreat in early September, the Court agreed a template for evaluating its balance of skills, following which an assessment of the skills of current members of Court was performed, the outcomes of which have been published on the institution's website and which will also inform future lay appointments to the Court (**Principle 9**). At its meeting on 15 December 2014, the Court agreed a statement setting out its goals in relation to the balance of its members in terms of equality and diversity.
- The appointment of the Chairperson of Court has hitherto been the result of an election by Court members of one of their number, who must be a lay member. At its meeting on 27 October 2014, the Court approved recommendations setting out an appointments process that will be in line with the Code (**Principle 11**). This will require changes to the University Statutes, to be approved by the Privy Council, although it should be noted that a vacancy in the role of Chairperson of Court is not expected until July 2016.
- The Corporate Governance statement includes for the first time publication of the salaries, in salary bands of £10,000, of the Senior Management Team of the University (see below) (**Principle 15**).

In all other respects, the University considers itself compliant with the Code.



## ● Charter and Statutes

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

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

- (a) **Court** is the governing body, responsible for the finance, property, investments, employment of staff and general business of the University, and for setting the general strategic direction of the institution. The statement of Primary Responsibilities adopted by the Court can be found at: [www.dundee.ac.uk/academic/court/statementofpr.htm](http://www.dundee.ac.uk/academic/court/statementofpr.htm).

It has a total membership of 23, with a majority of lay members from outside the University. Members also include representatives of the staff of the University and the student body. The Chairperson of Court is elected by the full membership of Court, and candidates for election may only be drawn from among the lay members. Subject to the changes set out above, the Chancellor's Assessor is designated by Ordinance as the senior independent member of Court. The position of

Chancellor's Assessor is traditionally reserved for senior lay members of Court and is an appointment made by the Court on the recommendation of the Governance and Nominations Committee.

The lay members are all considered to be independent, being nominated (2), elected (2) or co-opted (8). Co-opted members are selected by the Governance and Nominations Committee, which invites applications via external advertisement as well as nominations from members of Court, members of staff and students. Candidates for co-opted appointment to the Court are subject to a rigorous interview process which takes into account the skills and diversity of existing Court members as well as future requirements and issues of succession, for example, to convenerships of Court Committees. None of the lay members receives any payment, apart from the reimbursement of expenses, for the work they undertake for the University.

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

## ● Committees

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



The composition of Court and its committees, along with the attendance of members at meetings during the session 2013/14, is set out below. On an annual basis the Governance and Nominations Committee considers the contributions and commitment of members to the work of the Court and its Committees and more generally to the life of the University.

The Remuneration Committee, which has an entirely lay membership, determines the remuneration of the most senior staff, including the Principal. In preparation for this role, it is guided by the Court on the policy it wishes the Committee to adopt in reaching its decisions with regard to senior pay. The membership of the Committee comprises four lay members of Court. The Chair of Court is included within this membership but is not the Convener of the Committee.

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

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

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

#### ● Effectiveness

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

The Court reflects annually on the effectiveness of both the Chair and of the Court itself. In addition, the effectiveness of Court and of its Committees is evaluated formally at least every five years. The Audit Committee carried out its own self-assessment exercise in 2012 in accordance with best practice. The Chairperson of Court is expected to meet with other Court members on an individual and informal basis at least biannually to discuss their contribution and provide guidance if needed; this also provides an opportunity for the Chairperson to assess whether members continue to have confidence in the conduct of Court business as well as in the performance of the Principal and the Senior Management Team. This information is also used by the Governance and Nominations Committee to determine whether lay members' appointments to the Court should be renewed.

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

## ● Executive

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

The Principal and Vice-Chancellor chairs a Senior Management Team and presents a written report on its work to each meeting of Court. The Senior Management Team also comprises the Vice-Principals, the University Secretary, the Director of Finance and other officers in attendance (Directors of Human Resources & Organisational Development, Strategic Planning, and Policy, Governance & Legal Affairs).

Remuneration of the members of the Senior Management Team (SMT) and of Directors regularly in attendance at 31 July 2014, or date of ceasing to be a member of SMT, excluding employer's pension contributions but including payments made on behalf of the National Health Service in respect of merit awards is as follows:

Title	Banding
Principal	£220,000 - £229,999
University Secretary	£120,000 - £129,999
Director of Finance	£110,000 - £119,999
Vice-Principal and Head of the College of Arts and Social Sciences <sup>1</sup>	£110,000 - £119,999
Vice-Principal and Head of the College of Art, Science and Engineering <sup>2</sup>	£110,000 - £119,999
Vice-Principal and Head of the College of Life Sciences <sup>3</sup>	£140,000 - £149,999
Vice-Principal and Head of the College of Medicine, Dentistry and Nursing <sup>3</sup>	£210,000 - £219,999
Vice-Principal (Learning & Teaching)	£110,000 - £119,999
Director of Human Resources	£100,000 - £109,999
Director of Strategic Planning	£60,000 - £69,999
Director of Policy, Governance & Legal Affairs	£60,000 - £69,999

### NOTES

<sup>1</sup> Membership ceased on 31 March 2014

<sup>2</sup> Membership ceased on 9 May 2014

<sup>3</sup> Partially or wholly funded by external bodies

The University is operating towards the strategic goals and objectives set out in its Strategy to 2017, which Court approved in October 2012. In measuring its progress in achieving these goals and objectives, Court receives regular reports from the Director of Strategic Planning on an agreed set of performance indicators. These range from undergraduate entry requirements and graduate employment rates to fee income levels, volume of research, income per academic full time equivalent (fte), and space and energy efficiency. An annual summary of performance relative to key performance indicators and progress towards strategic objectives is published on the Court web pages [www.dundee.ac.uk/academic/court](http://www.dundee.ac.uk/academic/court)

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

## ● Accounting Records and Controls

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

Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the Charter and Statutes, the Statement of Recommended Practice (Accounting for Further and Higher Education Institutions) and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed with the Scottish Funding Council (SFC), Court is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

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

Court also has a responsibility to:

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

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

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

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

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

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

The Senior Management Team, Court and the Audit Committee formally review the risk register regularly, and at least twice a year.

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

Aside from the observations set out in relation to the Scottish Code of Good HE Governance at the beginning of this statement, the principles and practice set out in this statement on corporate governance hold true for the full financial year reviewed in the financial statements as well as for the period up to the date of approval of the statement by the University Court.

# Membership of Court and Committees

(Including attendance during academic session 2013/14)

		Committees					
		Court	Audit <sup>1,2</sup>	Finance and Policy <sup>2,3</sup>	Governance and Nominations	Human Resources <sup>3</sup>	Remuneration
		6 in year	4 in year	6 in year	4 in year	3 in year	2 in year
*Mr EF Sanderson, Chairperson		6(c)		5	4(c)		2
Professor CP Downes, Principal		6		6	4		
Professor R Abboud		6		6	4		
Mr Luc Bidaut	From 26/05/14	0 (of 1)					
*Mr R Bint	From 22/04/14	1 (of 1)					
Professor SM Black		6		4			
*Mr RS Bowie		4		4			
*Dr WGC Boyd		6			3	3	
*Mr R Burns, Chancellor's Assessor	To 31/07/14	5		6(c)	4		1(c)
*Ms SC Campbell		6				2	1
Dr DH Crouch		6			3		
*Lord Provost Mr R Duncan		3					
*Mr J Elliot <sup>2</sup>		5	4(c)				2
Professor T Harley	To 01/05/14	5 (of 5)				2 (of 2)	
*Mr IC Howie	From 01/08/14						
Mrs S Krawczyk <sup>4</sup>		2				2	
Mr I MacKinnon		6		6			
*Ms B Malone		5	2		2		
Professor GJ Mires		5				1	
*Ms CA Potter, Chancellor's Assessor from 01/08/2014		5				2	
Dr A Reeves		5				3	
*Mr KA Richmond <sup>4</sup>		5		6			
*Mr KAC Swinley <sup>4</sup>	To 28/02/14	2 (of 4)	0 (of 2)				
Miss M Tasevska	To 31/07/14	6			4		
*Mr D Taylor		5				3	
Mr RJ Van Mulders	From 01/08/14						
*Mr IDM Wright		5		5	3		

## NOTES

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

\* lay members

c = chairperson/convener of committee.

<sup>1</sup> The Audit Committee has two additional co-opted members, who are not members of Court: Ms S Morrison-Low (attended 3 times in 2013/14) and Mr I Stewart (attended 4 times in 2013/14).

<sup>2</sup> The Convener of the Finance and Policy Committee is invited to attend meetings of the Audit Committee and a reciprocal arrangement is in place for the Convener of the Audit Committee to attend meetings of the Finance and Policy Committee.

<sup>3</sup> The Human Resources Committee has one additional staff member, who is not a member of Court: Professor Karl Leydecker, Vice-Principal (Learning and Teaching) who attended 3 times in 2013/14). Professor Leydecker is also in attendance at meetings of the Finance and Policy Committee and attended 5 of 6 meetings.

<sup>4</sup> Mr KAC Swinley and Mr KA Richmond are also employer-nominated Trustees of the University of Dundee Superannuation Scheme and both attended 4 of the Trustees' 5 meetings in 2013/14 (Mr KAC Swinley as the Chairperson); and Ms Krawczyk is also an employee-nominated Trustee of the Scheme.

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

## ● Report on the financial statements

### Our opinion

In our opinion, the financial statements defined below:

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2014 and of the consolidated income and expenditure, recognised gains and losses, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The group financial statements and parent institution financial statements (the "financial statements"), which are prepared by the University of Dundee, comprise:

- the group and parent institution Balance Sheets as at 31 July 2014;
- the Consolidated Income and Expenditure Account for the year then ended;
- the Statement of Group Total Recognised Gains and Losses for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Statement of Principal Accounting Policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Court has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Court; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Reports, being the Principal's Report, Operating and Financial Review and Corporate Governance (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

In our opinion, in all material respects:

- funds from whatever source administered by the parent institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation and any other terms and conditions attached to them; and

- funds provided by the Funding Council have been applied in accordance with the Financial Memorandum and the mandatory requirements attached to the Financial Memorandum.

### ● Other matters on which we are required to report by exception

#### **Sufficiency of accounting records and information and explanations received**

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- sufficient accounting records have not been kept by the parent institution; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

#### **Other information in the Annual Report**

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion, the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

### ● Responsibilities for the financial statements and the audit

#### **Respective responsibilities of the University Court and auditors**

As explained more fully in the Corporate Governance statement set out on pages 14-19, the University Court (who are also charitable trustees for the purposes of charity law) are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland).

Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



#### **PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors  
Glasgow

**15** December 2014

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

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



*image*

The façade of the new **Discovery Centre for Translational and Interdisciplinary Research** is graced with an artwork entitled *Scales of Life* that depicts on custom made anodised aluminium panels, both the scientific basis for life and the significant research into life science undertaken within its walls.

*Scales of Life* was developed as a collaborative project between artist Professor Elaine Shemilt of Duncan of Jordanstone College of Art & Design, Regius Professor of Life Sciences Mike Ferguson and Jo White of BMJ architects.

# Financial Statements

## Year ended 31 July 2014



# Statement of Principal Accounting Policies

## ● 1. Basis of preparation

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

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

## ● 2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July. A list of these subsidiary undertakings is included in note 33. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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

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

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

## ● 3. Income recognition

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

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

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

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

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

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

#### ● 4. Agency arrangements

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

#### ● 5. Leases and hire purchase contracts

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

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

#### ● 6. Taxation status

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

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

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

#### ● 7. Land and buildings

Land and buildings are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Donated land and buildings are stated at fair value at the date of receipt.

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

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

##### **Depreciation**

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

##### **Repairs and maintenance**

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

##### **Assets used by the University**

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

##### **Assets held for resale**

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

## ● 8. Equipment

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

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

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

## ● 9. Investments

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

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

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

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

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

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

## ● 10. Stocks

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

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

## ● 11. Cash flows and liquid resources

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

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

## ● 12. Foreign currencies

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

## ● 13. Intra-group transactions

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

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

## ● 14. Accounting for charitable donations

### Unrestricted donations

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

### Endowment funds

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

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

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

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

### Income and capital gains

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

### Donations for fixed assets

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

### Gifts in kind, including donated tangible fixed assets

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

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

## ● 15. Pension schemes

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

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

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

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

## ● 16. Provisions, contingent liabilities and contingent assets

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

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

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

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

# Consolidated Income and Expenditure Account

## Year Ended 31 July 2014

	Note	Group	
		2013/14 £000	2012/13 £000
<b>Income</b>			
Scottish funding council grants	1	87,619	81,089
Tuition fees and education contracts	2	40,857	40,099
Research grants and contracts	3	78,977	68,391
Other income	4	34,832	36,212
Endowment and investment income	5	802	782
<b>Total income</b>		<b>243,087</b>	<b>226,573</b>
<b>Expenditure</b>			
Staff costs	6	138,189	130,711
Restructuring costs	6	2,450	-
Other operating expenses	7	86,694	77,820
Depreciation	10	16,871	13,985
Interest and other finance costs	8	670	871
<b>Total expenditure</b>		<b>244,874</b>	<b>223,387</b>
<b>(Deficit) / surplus after depreciation of tangible fixed assets</b>		<b>( 1,787 )</b>	<b>3,186</b>
Share of operating loss in associate	17	( 228 )	( 99 )
<b>(Deficit) / surplus after depreciation of assets</b>		<b>( 2,015 )</b>	<b>3,087</b>
Minority interest		( 55 )	31
<b>(Deficit) / surplus before exceptional items</b>		<b>( 2,070 )</b>	<b>3,118</b>
Exceptional items: continuing operations			
Disposal of fixed assets		86	-
<b>(Deficit) / surplus on continuing operations after depreciation of assets and disposal of assets</b>	9	<b>( 1,984 )</b>	<b>3,118</b>
Surplus for the year transferred to accumulated income in endowment funds		334	387
<b>(Deficit) / surplus for the year retained within general reserves</b>		<b>( 1,650 )</b>	<b>3,505</b>

All results derive from continuing operations.

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

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

# Statement of Group Total Recognised Gains and Losses

## Year Ended 31 July 2014

	Note	Group	
		2013/14 £000	2012/13 £000
<b>(Deficit) / surplus on continuing operations after depreciation of assets and disposal of assets</b>		<b>( 1,984 )</b>	<b>3,118</b>
Appreciation of endowment assets	19	551	2,379
Surplus on revaluation of investments	11	-	23
New endowments	19	675	245
Actuarial loss in respect of pension schemes	32	( 9,905 )	( 3,015 )
<b>Total recognised (loss) / gain relating to the year</b>		<b>( 10,663 )</b>	<b>2,750</b>
<b>Reconciliation</b>			
Opening reserves and endowments		40,523	37,773
Total recognised (loss) / gain for the year		( 10,663 )	2,750
<b>Closing reserves and endowments</b>		<b>29,860</b>	<b>40,523</b>

## Balance Sheets as at 31 July 2014

	Note	Group 2014 £000	Group 2013 £000	University 2014 £000	University 2013 £000
<b>Fixed assets</b>					
Tangible assets	10	226,359	210,938	211,541	202,804
Investments	11	731	868	836	973
		<b>227,090</b>	211,806	<b>212,377</b>	203,777
<b>Endowment assets</b>	12	<b>24,008</b>	23,116	<b>24,008</b>	23,116
<b>Current assets</b>					
Stocks		225	312	225	275
Debtors	13	31,406	32,256	46,965	40,936
Short-term investments	14	19,145	32,903	19,145	32,903
Cash at bank and in hand		13,489	7,249	9,326	6,310
		<b>64,265</b>	72,720	<b>75,661</b>	80,424
<b>Creditors- amounts falling due within one year</b>	15	<b>( 93,698 )</b>	( 95,263 )	<b>( 93,595 )</b>	( 95,285 )
<b>Net current liabilities</b>		<b>( 29,433 )</b>	( 22,543 )	<b>( 17,934 )</b>	( 14,861 )
<b>Total assets less current liabilities</b>		<b>221,665</b>	212,379	<b>218,451</b>	212,032
<b>Creditors- amounts falling due after more than one year</b>	16	<b>( 1,375 )</b>	( 1,336 )	<b>( 1,375 )</b>	( 1,336 )
<b>Provisions for liabilities</b>	17	<b>( 15,280 )</b>	( 15,775 )	<b>( 11,468 )</b>	( 12,191 )
<b>Net assets excluding pension liability</b>		<b>205,010</b>	195,268	<b>205,608</b>	198,505
<b>Net pension liability</b>	32	<b>( 34,123 )</b>	( 25,307 )	<b>( 34,123 )</b>	( 25,307 )
<b>Net assets including pension liability</b>		<b>170,887</b>	169,961	<b>171,485</b>	173,198

## Balance Sheets as at 31 July 2014

	Note	Group 2014 £000	Group 2013 £000	University 2014 £000	University 2013 £000
<b>Deferred capital grants</b>	18	<b>141,027</b>	129,493	<b>138,312</b>	129,409
<b>Endowments</b>					
Expendable	19	<b>3,836</b>	3,519	<b>3,836</b>	3,519
Permanent	19	<b>20,172</b>	19,597	<b>20,172</b>	19,597
		<b>24,008</b>	23,116	<b>24,008</b>	23,116
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	20	<b>39,490</b>	42,144	<b>42,803</b>	45,410
Pension reserve	20	<b>( 34,123 )</b>	( 25,307 )	<b>( 34,123 )</b>	( 25,307 )
Income and expenditure account including pension reserve		<b>5,367</b>	16,837	<b>8,680</b>	20,103
Revaluation reserve	20	<b>485</b>	570	<b>485</b>	570
<b>Total reserves</b>		<b>5,852</b>	17,407	<b>9,165</b>	20,673
<b>Minority interest</b>		-	( 55 )	-	-
<b>Total funds</b>		<b>170,887</b>	169,961	<b>171,485</b>	173,198

The financial statements on pages 24 to 56 were approved by the Court on 15 December 2014 and signed on its behalf by:



**Eric F Sanderson**  
Chairman of Court



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



**Andrew Hewett**  
Director of Finance

The University of Dundee,  
Dundee, DD1 4HN

## Consolidated Cash Flow Statement

### Year ended 31 July 2014

	Note	Group	
		2014 £000	2013 £000
Net cash inflow from operating activities	21	8,671	14,497
Returns on investments and servicing of finance	22	638	478
Capital expenditure and financial investment	23	( 10,197 )	( 8,500 )
Management of liquid resources	24	13,758	( 10,359 )
Financing	25	( 8,500 )	-
<b>Increase / (decrease) in cash in the year</b>	26	<b>4,370</b>	<b>( 3,884 )</b>

## Reconciliation of net cash flow to movement in net funds

	Note	Group	
		2014 £000	2013 £000
<b>Increase / (decrease) in cash in the year</b>		<b>4,370</b>	<b>( 3,884 )</b>
Change in short term deposits	24	( 13,758 )	10,359
Change in loan debt	25	8,500	-
<b>Change in net funds</b>		<b>( 888 )</b>	<b>6,475</b>
Net funds at 1 August	26	37,482	31,007
<b>Net funds at 31 July</b>	26	<b>36,594</b>	<b>37,482</b>

# Notes to the Financial Statements

	Note	Group 2013/14 £000	Group 2012/13 £000
<b>1. Scottish funding council grants</b>			
General Fund - Teaching		50,617	49,215
General Fund - Research		23,637	22,149
Deferred capital grants released in year	18	4,577	4,480
Strategic funding		8,788	5,245
<b>Total</b>		<b>87,619</b>	<b>81,089</b>
<b>2. Tuition fees and education contracts</b>			
UK and EU fees		22,447	21,152
Non-EU fees		15,506	15,957
Non-credit bearing course fees		967	1,153
Other contracts		1,937	1,837
<b>Total</b>		<b>40,857</b>	<b>40,099</b>
<b>3. Research grants and contracts</b>			
Research Councils		22,924	17,084
UK charities		26,966	23,998
European Commission		7,417	6,207
Other grants and contracts		17,245	18,891
Deferred capital grants released in year	18	4,425	2,211
<b>Total</b>		<b>78,977</b>	<b>68,391</b>
<b>4. Other income</b>			
Residences, catering and conferences		7,869	8,069
Other services rendered		7,911	8,441
Health Authorities		6,142	6,350
Deferred capital grants released in year	18	2,398	2,615
VAT recoveries		626	573
Other grants, donations and income		9,886	10,164
<b>Total</b>		<b>34,832</b>	<b>36,212</b>

## Notes to the Financial Statements

	Note	Group 2013/14 £000	Group 2012/13 £000
<b>5. Endowment and investment income</b>			
Income from expendable endowments	19	10	17
Income from permanent endowments	19	563	498
Income from short-term investments		229	267
<b>Total</b>		<b>802</b>	<b>782</b>
		Group 2013/14 £000	Group 2012/13 £000
<b>6. Staff costs</b>			
Staff costs:			
Wages and salaries		112,825	107,572
Social security costs		9,088	8,864
Other pension costs	32	16,276	14,275
<b>Total</b>		<b>138,189</b>	<b>130,711</b>
		Group 2013/14 £000	Group 2012/13 £000
<b>Staff costs</b>			
Academic departments		74,039	71,923
Academic services		8,028	7,745
Research grants and contracts		36,061	31,380
Administration and central services		12,380	11,988
Premises		4,616	4,542
Other		2,724	2,827
Catering and residences		341	306
<b>Total</b>		<b>138,189</b>	<b>130,711</b>
Restructuring costs		2,450	-
<b>Total</b>		<b>140,639</b>	<b>130,711</b>

# Notes to the Financial Statements

## 6. Staff costs - continued

<b>Average monthly staff numbers by major category</b>	<b>Group 2013/14 Number</b>	<b>Group 2012/13 Number</b>
Academic departments	1,426	1,377
Academic services	205	205
Research grants and contracts	804	730
Administration and central services	313	312
Premises	175	178
Other	72	67
Catering and residences	13	13
<b>Total</b>	<b>3,008</b>	<b>2,882</b>
	<b>Group 2013/14 £000</b>	<b>Group 2012/13 £000</b>
Emoluments of the Principal	227	222

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

The Principal has opted out of the Universities Superannuation Scheme (USS).

# Notes to the Financial Statements

## 6. Staff costs – continued

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

	2013/14 Number Non-Clinical	2013/14 Number Clinical	2012/13 Number Non-Clinical	2012/13 Number Clinical
£70,000 - £79,999	27	2	22	1
£80,000 - £89,999	22	4	26	7
£90,000 - £99,999	17	7	14	5
£100,000 - £109,999	7	8	9	10
£110,000 - £119,999	8	11	5	10
£120,000 - £129,999	2	6	2	6
£130,000 - £139,999	3	6	7	4
£140,000 - £149,999	2	3	-	3
£150,000 - £159,999	-	12	-	15
£160,000 - £169,999	-	4	-	2
£170,000 - £179,999	-	3	-	2
£180,000 - £189,999	-	2	-	5
£190,000 - £199,999	-	-	-	-
£200,000 - £209,999	-	3	-	4
£210,000 - £219,999	-	1	-	2
£220,000 - £229,999	-	1	-	-
			<b>Group 2013/14 £000</b>	<b>Group 2012/13 £000</b>
Compensation for loss of office payable to senior post-holders:				
Compensation payable			<b>1,034</b>	<b>252</b>

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

# Notes to the Financial Statements

	Group 2013/14 £000	Group 2012/13 £000
<b>7. Other operating expenses</b>		
Academic departments	16,730	11,652
Academic services	5,058	5,202
Research grants and contracts	27,934	24,905
Administration and central services	13,360	12,774
Premises	11,695	11,962
Other	4,712	3,761
Catering and residences	7,205	7,564
<b>Total</b>	<b>86,694</b>	<b>77,820</b>
Other operating expenses include:		
External auditors' remuneration in respect of audit services	74	69
External auditors' remuneration in respect of non-audit services	7	-
Internal auditors' remuneration	81	76
<b>8. Interest and other finance costs</b>	Group 2013/14 £000	Group 2012/13 £000
Loans repayable within five years	200	243
Net charge on pension scheme	470	628
<b>Total</b>	<b>670</b>	<b>871</b>
<b>9. (Deficit)/Surplus on continuing operations for the year</b>	Group 2013/14 £000	Group 2012/13 £000
University (deficit) / surplus for the year	( 1,936 )	3,360
Deficit generated by associate and subsidiary undertakings	( 48 )	( 242 )
<b>(Deficit) / surplus on continuing operations after depreciation of assets and disposal of assets</b>	<b>( 1,984 )</b>	<b>3,118</b>

## Notes to the Financial Statements

### 10. Tangible fixed assets

Group	Land and Buildings Freehold £000	Equipment £000	Assets in the Course of Construction £000	Total £000
<b>Cost</b>				
At 1 August 2013	280,647	57,865	8,003	346,515
Additions	7,653	19,377	6,000	33,030
Transfers	475	-	(475)	-
Disposals	(886)	(308)	-	(1,194)
<b>At 31 July 2014</b>	<b>287,889</b>	<b>76,934</b>	<b>13,528</b>	<b>378,351</b>
<b>Accumulated depreciation</b>				
At 1 August 2013	(88,982)	(46,595)	-	(135,577)
Charge for Year	(9,106)	(7,765)	-	(16,871)
Disposals	311	145	-	456
<b>At 31 July 2014</b>	<b>(97,777)</b>	<b>(54,215)</b>	<b>-</b>	<b>(151,992)</b>
<b>Net book value</b>				
<b>At 31 July 2014</b>	<b>190,112</b>	<b>22,719</b>	<b>13,528</b>	<b>226,359</b>
At 31 July 2013	191,665	11,270	8,003	210,938
<b>University</b>				
<b>Cost</b>				
At 1 August 2013	280,402	55,730	504	336,636
Additions	7,491	18,299	448	26,238
Transfers	475	-	(475)	-
Disposals	(886)	(308)	-	(1,194)
<b>At 31 July 2014</b>	<b>287,482</b>	<b>73,721</b>	<b>477</b>	<b>361,680</b>
<b>Accumulated depreciation</b>				
At 1 August 2013	(88,901)	(44,931)	-	(133,832)
Charge for Year	(9,101)	(7,662)	-	(16,763)
Disposals	311	145	-	456
<b>At 31 July 2014</b>	<b>(97,691)</b>	<b>(52,448)</b>	<b>-</b>	<b>(150,139)</b>
<b>Net book value</b>				
<b>At 31 July 2014</b>	<b>189,791</b>	<b>21,273</b>	<b>477</b>	<b>211,541</b>
At 31 July 2013	191,501	10,799	504	202,804

# Notes to the Financial Statements

## 10. Tangible fixed assets - continued

Buildings with net book value of £68,406k and cost of £110,869k have been funded from Exchequer funds; should these particular buildings be sold, the University would either have to surrender the proceeds or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

## 11. Investments

Group	2014 £000	2013 £000
Balance at 1 August	868	845
Disposals	(136)	-
Released to income and expenditure	(1)	-
Surplus on revaluation of investments	-	23
<b>Balance at 31 July</b>	<b>731</b>	<b>868</b>
Value at 31 July:		
Listed investments	1	1
Index linked government stocks and investment trusts	674	811
Other	56	56
<b>Total</b>	<b>731</b>	<b>868</b>
<b>University</b>		
Balance at 1 August	973	950
Disposals	(136)	-
Released to income and expenditure	(1)	-
Surplus on revaluation of investments	-	23
<b>Balance at 31 July</b>	<b>836</b>	<b>973</b>
Value at 31 July:		
Listed investments	1	1
Index linked government stocks and investment trusts	674	811
Subsidiary companies	105	105
Other	56	56
<b>Total</b>	<b>836</b>	<b>973</b>

Included in the above is £671k (2013 - £808k) in respect of investments for the future costs of early retirement pensions. The full list of subsidiary companies is listed in note 33.

## Notes to the Financial Statements

	<b>Group and University</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>● 12. Endowment asset investments</b>		
Balance at 1 August	23,116	20,879
Additions	7,522	3,059
Disposals	( 5,311 )	( 2,028 )
Increase in market value of investments	551	2,378
Decrease in cash balances held for endowment funds	( 1,870 )	( 1,172 )
<b>Balance at 31 July</b>	<b>24,008</b>	<b>23,116</b>
Market Value at 31 July:		
Convertibles (listed)	1,591	2,997
Equities (listed)	18,457	14,289
Bank balances	3,960	5,830
<b>Total</b>	<b>24,008</b>	<b>23,116</b>

Included in bank balances is £3,836k (2013 - £3,519k) relating to expendable endowments.

	<b>Group</b>	<b>Group</b>	<b>University</b>	<b>University</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>● 13. Debtors</b>				
Debtors	12,528	11,664	12,501	11,614
Amounts due from subsidiary companies	-	-	15,598	8,795
Prepayments and accrued income	18,878	20,592	18,866	20,527
<b>Total</b>	<b>31,406</b>	<b>32,256</b>	<b>46,965</b>	<b>40,936</b>

### ● 14. Short-term investments

The short-term investment (£19,145k) for both Group and University includes cash deposits held with various financial institutions. This is done to maximise the return and all amounts are accessible within 12 months.

## Notes to the Financial Statements

	Group 2014 £000	Group 2013 £000	University 2014 £000	University 2013 £000
<b>15. Creditors - amounts falling due within one year</b>				
Research grants received on account	24,610	21,672	24,610	21,672
Other payments received on account	29,873	21,946	29,854	21,927
Unsecured Loans	-	8,500	-	8,500
Trade creditors	5,681	8,372	5,679	8,482
Amounts due to subsidiary companies	-	-	179	151
Social security and other taxation payable	2,992	2,846	2,992	2,846
Accruals	30,542	31,927	30,281	31,707
<b>Total</b>	<b>93,698</b>	<b>95,263</b>	<b>93,595</b>	<b>95,285</b>

The University has a revolving credit facility of £34m which expires in 2016. It is the University's option for each advance to float against LIBOR or be at a fixed rate. At 31 July 2014, the amount drawn down was £nil (2013 £nil).

Accruals for both Group and University include an amount of £2,132k in respect of voluntary severance costs.

	Group and University	
	2014 £000	2013 £000
<b>16. Creditors - amounts falling due after more than one year</b>		
Accruals and deferred income	1,375	1,336
<b>Total</b>	<b>1,375</b>	<b>1,336</b>

	Early Retirement Pension Costs £000	Other £000	Associated Company £000	Total £000
<b>17. Provisions for liabilities</b>				
<b>Group</b>				
At 1 August 2013	6,236	5,955	3,584	15,775
Expenditure in the year	(489)	(1,150)	-	(1,639)
Additional provision required in year	-	347	228	575
Revaluation adjustment	565	-	-	565
Interest	4	-	-	4
<b>At 31 July 2014</b>	<b>6,316</b>	<b>5,152</b>	<b>3,812</b>	<b>15,280</b>
<b>University</b>				
At 1 August 2013	6,236	5,955	-	12,191
Expenditure in the year	(489)	(1,150)	-	(1,639)
Additional provision required in year	-	347	-	347
Revaluation adjustment	565	-	-	565
Interest	4	-	-	4
<b>At 31 July 2014</b>	<b>6,316</b>	<b>5,152</b>	<b>-</b>	<b>11,468</b>

# Notes to the Financial Statements

## ● 17. Provisions for liabilities - continued

The above pension provision reflects the University's commitments to pay pension benefits to existing and former employees where a separate scheme is not in place. A valuation of the existing pension provision at 31 July 2014 was carried out by the University's appointed independent actuary, Xafinity Consulting.

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

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

### Associate

### Dundee Student Villages

(Company limited by guarantee)

Proportion of voting rights held  
Nature of business  
Date of financial information

**33.3%**  
**Residences**  
**31 July 2014**

	DSV Ltd £000	University share of DSV Ltd £000
Aggregate capital and reserves	( 11,435 )	( 3,812 )
Loss for the year	( 673 )	( 228 )
Incoming resources	6,456	2,152
Fixed assets	38,255	12,752
Current assets	8,235	2,745
Liabilities less than one year	( 1,456 )	( 485 )
Liabilities more than one year	( 56,468 )	( 18,823 )

# Notes to the Financial Statements

<b>18. Deferred capital grants</b>	Note	Scottish Funding Council £000	Other Grants £000	Total £000
<b>Group</b>				
At 1 August 2013				
Buildings		69,439	53,839	123,278
Equipment		637	5,578	6,215
<b>Total</b>		<b>70,076</b>	<b>59,417</b>	<b>129,493</b>
Cash received				
Buildings		2,646	4,031	6,677
Equipment		9,908	6,349	16,257
<b>Total</b>		<b>12,554</b>	<b>10,380</b>	<b>22,934</b>
Released to income and expenditure				
Buildings		( 3,662 )	( 1,856 )	( 5,518 )
Equipment		( 915 )	( 4,967 )	( 5,882 )
<b>Total</b>	1,3,4	<b>( 4,577 )</b>	<b>( 6,823 )</b>	<b>( 11,400 )</b>
At 31 July 2014				
Buildings		68,423	56,014	124,437
Equipment		9,630	6,960	16,590
<b>Total</b>		<b>78,053</b>	<b>62,974</b>	<b>141,027</b>

## Notes to the Financial Statements

<b>18. Deferred capital grants</b>	Note	Scottish Funding Council £000	Other Grants £000	Total £000
<b>University</b>				
At 1 August 2013				
Buildings		69,439	53,774	123,213
Equipment		637	5,559	6,196
<b>Total</b>		<b>70,076</b>	<b>59,333</b>	<b>129,409</b>
Cash received				
Buildings		2,646	1,398	4,044
Equipment		9,908	6,349	16,257
<b>Total</b>		<b>12,554</b>	<b>7,747</b>	<b>20,301</b>
Released to income and expenditure				
Buildings		( 3,662 )	( 1,856 )	( 5,518 )
Equipment		( 915 )	( 4,965 )	( 5,880 )
<b>Total</b>		<b>( 4,577 )</b>	<b>( 6,821 )</b>	<b>( 11,398 )</b>
At 31 July 2014				
Buildings		<b>68,423</b>	<b>53,316</b>	<b>121,739</b>
Equipment		<b>9,630</b>	<b>6,943</b>	<b>16,573</b>
<b>Total</b>		<b>78,053</b>	<b>60,259</b>	<b>138,312</b>

# Notes to the Financial Statements

## 19. Endowments

	Group and University					
	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2014 Total £000	2013 Total £000
Balances at 1 August						
Capital	5,221	12,948	18,169	3,519	21,688	19,437
Accumulated income	-	1,428	1,428	-	1,428	1,442
	5,221	14,376	19,597	3,519	23,116	20,879
New endowments	-	7	7	668	675	245
Investment income	161	402	563	10	573	515
Expenditure	(161)	(385)	(546)	(361)	(907)	(902)
Increase in market value of investments	159	392	551	-	551	2,379
<b>At 31 July</b>	<b>5,380</b>	<b>14,792</b>	<b>20,172</b>	<b>3,836</b>	<b>24,008</b>	<b>23,116</b>
Represented by:						
Capital	5,380	13,347	18,727	3,836	22,563	21,688
Accumulated income	-	1,445	1,445	-	1,445	1,428
<b>Total</b>	<b>5,380</b>	<b>14,792</b>	<b>20,172</b>	<b>3,836</b>	<b>24,008</b>	<b>23,116</b>
<b>Analysis by type of purpose:</b>						
Lectureships	-	4,911	4,911	-	4,911	4,766
Scholarships and bursaries	2,806	6,695	9,501	264	9,765	9,502
Research support	-	508	508	3,281	3,789	3,460
Prize funds	-	2,179	2,179	66	2,245	2,175
General	2,574	499	3,073	225	3,298	3,213
<b>Total</b>	<b>5,380</b>	<b>14,792</b>	<b>20,172</b>	<b>3,836</b>	<b>24,008</b>	<b>23,116</b>

# Notes to the Financial Statements

<b>20. Reserves</b>	Note	Group £000	University £000
<b>Income and expenditure reserve</b>			
At 1 August 2013		42,144	45,410
Transfer from revaluation reserve		85	85
Deficit for the year		( 1,650 )	( 1,603 )
Less pension surplus		(1,089)	( 1,089 )
<b>At 31 July 2014</b>		<b>39,490</b>	<b>42,803</b>
<b>Pension reserve</b>			
At 1 August 2013		( 25,307 )	( 25,307 )
Actuarial loss	32	( 9,905 )	( 9,905 )
Surplus retained within reserves		1,089	1,089
<b>At 31 July 2014</b>		<b>( 34,123 )</b>	<b>( 34,123 )</b>
<b>Revaluation reserve</b>			
At 1 August 2013		570	570
Transfer to general reserve in respect of: Disposal of investments		( 85 )	( 85 )
<b>At 31 July 2014</b>		<b>485</b>	<b>485</b>
<b>21. Reconciliation of (deficit) / surplus after depreciation of tangible fixed assets to net cash inflow from operating activities</b>			
	Note	2014 £000	2013 £000
(Deficit) / surplus after depreciation of tangible fixed assets		( 1,787 )	3,186
Depreciation	10	16,871	13,985
Deferred capital grants released to income	18	( 11,400 )	( 9,306 )
Investment income	5	( 802 )	( 782 )
Interest payable	8	670	871
Decrease in stocks		87	18
Decrease / (increase) in debtors		856	( 7,439 )
Increase in creditors		6,457	16,811
Decrease in provisions		( 723 )	( 870 )
Change in value of investments	11	1	-
Pension costs less contributions payable		( 1,559 )	( 1,977 )
<b>Net cash inflow from operating activities</b>		<b>8,671</b>	<b>14,497</b>

# Notes to the Financial Statements

<b>22. Returns on investments and servicing of finance</b>	2014 £000	2013 £000
Income from endowments	573	515
Other interest received	223	275
Interest paid	( 158 )	( 312 )
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>638</b>	<b>478</b>

<b>23. Capital expenditure and financial investment</b>	2014 £000	2013 £000
Proceeds from sales of fixed assets	500	-
Receipts from disposal of fixed asset investments	136	-
New endowments received	675	245
Receipts from disposal of endowment asset investments	5,311	2,028
Payments to acquire endowment asset investments	( 7,522 )	( 3,059 )
Payments to acquire tangible fixed assets	( 32,555 )	( 20,483 )
Deferred capital grants received	23,258	12,769
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>( 10,197 )</b>	<b>( 8,500 )</b>

<b>24. Management of liquid resources</b>	2014 £000	2013 £000
Net decrease / (increase) in short term investments	13,758	( 10,359 )

<b>25. Financing</b>	2014 £000	2013 £000
Repayment of loan	( 8,500 )	-

<b>26. Analysis of changes in net funds</b>	Note	At 1 August 2013 £000	Cash Flows £000	At 31 July 2014 £000
Cash at bank and in hand		7,249	6,240	13,489
Endowment assets	12	5,830	( 1,870 )	3,960
		<b>13,079</b>	<b>4,370</b>	<b>17,449</b>
Short term investments		32,903	( 13,758 )	19,145
Debt due within one year	15	( 8,500 )	8,500	-
<b>Total</b>		<b>37,482</b>	<b>( 888 )</b>	<b>36,594</b>

# Notes to the Financial Statements

	Group 2014 £000	Group 2013 £000	University 2014 £000	University 2013 £000
<b>27. Capital commitments</b>				
Provision has not been made for the following capital commitments at 31 July:				
Commitments contracted for	4,279	12,559	4,079	8,654
Authorised but not contracted for	6,670	6,038	6,670	5,088
<b>Total</b>	<b>10,949</b>	<b>18,597</b>	<b>10,749</b>	<b>13,742</b>

## 28. Contingent liabilities

The University has provided a guarantee to the Clydesdale Bank on a loan of £1.9m to Dundee University Students' Association of which £269k remains outstanding at 31 July 2014. There is no information currently available which would suggest that this guarantee will be called upon.

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

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

## 29. Post balance sheet events

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

	2013/14 Childcare £000	2013/14 Discretionary £000	2013/14 Total £000	2012/13 Total £000
<b>30. Bursaries and other student support funds</b>				
<b>Balance b/fwd</b>	-	-	-	51
Refund to Scottish Funding Council	-	( 29 )	( 29 )	( 51 )
Allocation received in the year	281	621	902	950
Expenditure	( 240 )	( 644 )	( 884 )	( 952 )
University contribution to funds	1	1	2	2
Virements	( 42 )	51	9	-
<b>Balance c/fwd</b>	-	-	-	-
Retained by University for students	-	-	-	-

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

# Notes to the Financial Statements

## 31. Disclosure of related party transactions

Due to the nature of the University's operations and the composition of the University Court being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of University Court may have an interest. All transactions involving organisations in which a member of the University Court may have an interest, including those identified below, are conducted at arms length and in accordance with the University's normal procurement procedures.

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

The consolidated financial statements consolidate the financial statements of the subsidiary companies listed in note 33. Transactions and balances between the Group entities have been eliminated on consolidation and have not been disclosed (in accordance with FRS 8).

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

	2014 £000	2013 £000
Due to Dundee Student Villages	( 10 )	( 7 )
Due from Dundee Student Villages	-	6

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

£83k of conference and room hire was purchased from West Park Centre Limited, a trading subsidiary of Dundee Student Villages.

## 32. Pension schemes

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

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

	Note	2013/14 £000	2012/13 £000
USS contributions paid		12,959	11,988
UODS charge to income and expenditure		2,544	2,008
UODS recovery in respect of past service costs		-	( 392 )
Contributions paid to other pension schemes		773	671
<b>Total pension costs</b>	6	<b>16,276</b>	<b>14,275</b>
Outstanding pension contributions at 31 July		2,254	2,068

# Notes to the Financial Statements

## ● 32. Pension schemes – continued

### Other pension schemes

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

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

### 1. Universities Superannuation Scheme (USS)

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

Following the latest triennial actuarial valuation of the scheme at 31 March 2011, the contribution rate payable by the University to USS remained unchanged at 16% of pensionable salaries. The results of the triennial valuation of the scheme at 31 March 2014 will be available before June 2015.

Because of the mutual nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting year.

### 2. University of Dundee Superannuation Scheme

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

Following the triennial valuation undertaken as at 1 August 2011, the University's normal pension contributions remain at 22.1% of pensionable earnings. This level of contribution (including cost of death in service) has been fixed to recover the deficit in the pension's fund, identified in the triennial valuation, over a period ending 31 August 2020.

# Notes to the Financial Statements

## 32. Pension schemes – continued

### 2. University of Dundee Superannuation Scheme - continued

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

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

	2014 %	2013 %
Price increases – RPI	3.4	3.3
Price increases – CPI	2.7	2.6
Salary increases	3.7	4.3
Revaluation of deferred benefits	2.7	2.6
Increases for pensions in payment:		
Fixed	3.0	3.0
RPI – subject to 5% maximum and 3% minimum	3.7	3.8
RPI – subject to 5% maximum	3.3	3.1
CPI (CARE) – subject to 3% maximum	2.3	1.7
Discount rate	4.2	4.7

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

The assumed life expectations on retirement at age 63 are:

	2014 years	2013 years
<b><i>Retiring today</i></b>		
Males	23.1	23.0
Females	25.4	25.4
<b><i>Retiring in 20 years</i></b>		
Males	24.3	24.2
Females	26.6	26.5

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

	Long term rate of return			31 July 2014 £ Million	Value at	
	2014 %	2013 %	2012 %		31 July 2013 £ Million	31 July 2012 £ Million
Equities	6.3	6.3	5.5	61.8	57.3	49.7
Government Bonds	3.3	3.3	2.5	15.0	14.1	8.9
Corporate Bonds	4.1	4.7	3.9	4.4	3.8	12.1
Cash	3.3	3.3	2.5	2.6	3.7	2.1
Secured Pensions	4.4	4.7	-	0.2	0.2	-
				<b>84.0</b>	<b>79.1</b>	<b>72.8</b>

# Notes to the Financial Statements

## ● 32. Pension schemes – continued

### 2. University of Dundee Superannuation Scheme - continued

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

	2014 £000	2013 £000
<b>Analysis of amount shown in the balance sheet</b>		
Total market value of assets	83,980	79,115
Present value of scheme liabilities	( 118,103 )	( 104,422 )
<b>Net pension liability</b>	<b>( 34,123 )</b>	<b>( 25,307 )</b>
	2014 £000	2013 £000
<b>Analysis of amount charged to staff costs within operating surplus</b>		
Current service cost	2,544	2,008
Past service cost	-	( 392 )
<b>Total operating charge</b>	<b>2,544</b>	<b>1,616</b>
	2014 £000	2013 £000
<b>Analysis of amount charged to interest payable</b>		
Expected return on pension scheme assets	4,457	3,530
Interest on pension scheme liabilities	( 4,927 )	( 4,158 )
<b>Net charge</b>	<b>( 470 )</b>	<b>( 628 )</b>
	2014 £000	2013 £000
<b>Analysis of amount recognised in statement of total recognised gains and losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	( 1,980 )	726
Changes in assumptions underlying the present value of scheme liabilities	( 7,925 )	( 3,741 )
<b>Actuarial loss recognised in STRGL</b>	<b>( 9,905 )</b>	<b>( 3,015 )</b>

# Notes to the Financial Statements

## 32. Pension schemes – continued

### 2. University of Dundee Superannuation Scheme - continued

	2014 £000	2013 £000
<b>Movement in deficit in the year</b>		
Deficit in scheme at beginning of year	( 25,307 )	( 23,641 )
Movement in year:		
Current service cost	( 2,544 )	( 2,008 )
Past service cost	-	392
Contributions	4,103	3,593
Net charge on assets	( 470 )	( 628 )
Actuarial loss	( 9,905 )	( 3,015 )
<b>Deficit in scheme at end of year</b>	<b>( 34,123 )</b>	<b>( 25,307 )</b>

	2014 £000	2013 £000
<b>Analysis of movement in the present value of the scheme liabilities</b>		
At beginning of year	104,422	96,493
Current service cost	2,544	2,008
Past service cost	-	( 392 )
Interest cost	4,927	4,158
Contributions by scheme participants	1,439	1,255
Actuarial loss	7,925	3,741
Net benefits paid	( 3,154 )	( 2,841 )
<b>At end of year</b>	<b>118,103</b>	<b>104,422</b>

	2014 £000	2013 £000
<b>Analysis of movement in the market value of the scheme assets</b>		
At beginning of year	79,115	72,852
Expected rate of return on scheme assets	4,457	3,530
Actuarial (loss) / gain	( 1,980 )	726
Contribution by the employer	4,103	3,593
Contributions by scheme participants	1,439	1,255
Net benefits paid	( 3,154 )	( 2,841 )
<b>At end of year</b>	<b>83,980</b>	<b>79,115</b>

# Notes to the Financial Statements

## 32. Pension schemes – continued

### 2. University of Dundee Superannuation Scheme - continued

<b>History of the scheme assets and liabilities</b>	<b>2014 £000</b>	2013 £000	2012 £000	2011 £000	2010 £000
Market value of scheme assets	<b>83,980</b>	79,115	72,852	68,590	57,843
Present value of scheme liabilities	<b>( 118,103 )</b>	( 104,422 )	( 96,493 )	( 91,200 )	( 81,600 )
Net Pension liability	<b>( 34,123 )</b>	( 25,307 )	( 23,641 )	( 22,610 )	( 23,757 )
	<b>2014 £000</b>	2013 £000	2012 £000	2011 £000	2010 £000
<b>History of experience gains and losses</b>					
<b>Cumulative</b>					
Difference between the expected and actual return on scheme assets:					
Amount	<b>( 1,980 )</b>	726	( 1,170 )	5,032	5,227
Percentage of scheme assets	<b>( 2.4% )</b>	0.9%	( 1.6% )	7.3%	9.0%
Experience losses on scheme liabilities:					
Amount	<b>( 7,925 )</b>	( 3,741 )	( 497 )	( 4,180 )	( 5,300 )
Percentage of the present value of scheme liabilities	<b>( 6.7% )</b>	( 3.6% )	( 0.5% )	( 4.6% )	( 6.5% )
Total amount recognised in statement of total recognised gains and losses:					
Amount	<b>( 9,905 )</b>	( 3,015 )	( 1,667 )	852	( 73 )
Percentage of the present value of scheme liabilities	<b>( 8.4% )</b>	( 2.9% )	( 1.7% )	0.9%	0.1%

The cumulative amount of actuarial loss recognised in the statement of total recognised gains and losses is £36,499k (2013: £26,594k).

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

The estimate for the employer contribution for the defined benefit scheme for the year 2014/15 is £4,300k.

The actual return on scheme assets in the year was £2,477k (2013: £4,256k).

# Notes to the Financial Statements

## ● 33. Subsidiary undertakings

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

- Dundee University Utility Supply Company Limited of which the University owns 100% of the issued share capital of two £1 Ordinary Shares. The Company generates heat and power, solely for the University.
- Dundee University Project Management Limited, of which the University owns 100% of the issued share capital of one £1 Ordinary Share, is used to manage professional fees on major capital build projects.
- AMCET Limited, of which the University owns 74% of the issued share capital of one hundred £1 Ordinary Shares. The Company's principal activity is the promotion, development and commercialisation of novel technology. This company is no longer trading.
- University of Dundee Nursery Limited of which the University owns 100% is limited by guarantee. The Company promotes the care and education of children of staff and students of the University.
- Dundee University Press Limited, of which the University owns 70.1% of the issued share capital of one hundred and fifty thousand £1 Ordinary Shares. The company is dormant.
- Dundee University Incubator Limited of which the University owns 100% of the issued share capital of one hundred and forty seven thousand £1 Ordinary Shares. The primary activity of the company is in support of new ventures.

## Notes to the Financial Statements

### 34. Connected charitable institutions

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

The movement in the year to 31 July 2014 on the total funds of the University of Dundee Nursery Limited, as reported in its Financial Statements, was as follows:

	At 1 August 2013 £000	Income £000	Expenditure £000	Change in market value £000	At 31 July 2014 £000
<b>Consolidated (see note 33)</b>					
University of Dundee Nursery Limited (SC032969)	145	202	( 169 )	-	178

The Financial Statements of the Centenary Trust of Duncan of Jordanstone College of Art to 31 July 2014 have not yet been prepared. The Financial Statements for the year to 31 July 2013 show the movement in the year on the total funds as follows:

	At 1 August 2012 £000	Income £000	Expenditure £000	Change in market value £000	At 31 July 2013 £000
<b>Not Consolidated</b>					
Centenary Trust of Duncan of Jordanstone College of Art (SC020617)	115	2	-	-	117

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





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