

One of the World's Top 200 universities

Times Higher Education World University Rankings 2017



University
of Dundee

Reports and
Financial Statements
2016/17



2016/17

A high performance community...

transforming lives
locally and globally

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Statement by the Chair of Court



Our ambition to transform lives both locally and globally will, like Rome, not be delivered in a day. Yet every day things happen at the University of Dundee which advance our progress towards that goal a little further. They happen because of the extraordinary people who dedicate their professional lives to research, to teaching and to providing many different types of support to allow the university to function. There is a true sense of community which is immediately welcoming to all.

Like most organisations we break our ambition into five-year plans. We have incorporated that distinctive ‘community’ aspect alongside our pursuit of excellence into our next five-year target as seeking to become a ‘High Performance Community’.

In practice this will mean encouraging multi-disciplinary teaching and research, building on the excellent links which we already have with business, the health services, local and national government and with likeminded academic and research institutions elsewhere within the UK and abroad. This is a continuation of the direction we have been on but it sharpens the focus on exploiting our collaborative advantage through being outstanding at working with others.

Court is working with the Principal and his senior colleagues to develop plans to invest in our colleagues and in our campuses to support these ambitions. We recognise that we need to match our ambitions with the means to make them achievable.

We have invested in new systems and IT which will allow us to run more smoothly and provide an even better experience for staff and students alike. To implement these changes we rely on our colleagues’ adaptability whilst at the same time asking them to continue to deliver the great service for which the University is renowned. A major focus of Court’s work this year will be to oversee advances in how we provide opportunities for colleagues to develop their skills so that they can make the most of the new infrastructure.

We are exploring opportunities to improve our campuses in a way that best supports staff and students in achieving high performance and encourages people from different disciplines to come together to create communities where the whole is greater than the sum of the parts.

This will require financial investment at a time when the funding environment for Scottish universities is challenging. The Scottish Government’s undoubted commitment to improving educational outcomes does not however translate into adequate funding of student places. In order to make ourselves financially secure we must therefore continue to develop our reputation as an attractive place for international students and develop our ability to create financial value from our other activities. The last year has shown excellent progress on this front and I am confident that further progress will be made this year.

Court comprises both staff and lay members with a rich mixture of skills and experiences. I have benefitted again this year from the wise counsel of my fellow Court members, which they give freely and for which I am most grateful. Our Rector Mark Beaumont has fit campus visits in to a schedule of training for his latest adventure and we have been enthralled and astonished by his achievement in cycling around the world in 80 days. Other Court members may not have quite hit such spectacular heights but to each one of them and to the staff and students who make the University of Dundee such a wonderful place I say thank you.

A handwritten signature in black ink, appearing to read 'R. Bowie', written over a faint, stylized outline of the letters 'R' and 'B'.

Ronald Bowie
Chairman of Court



Summer Graduation Ceremony 2017

Teaching Gold

We are one of only twelve universities in the UK to be awarded a Gold award in 2017's inaugural Teaching Excellence Framework and also hold a place in Times Higher Education's World Top 200.



Transformations 2017 Conference



On the rise

We have recorded an average rise of 20 places across the main UK university league tables over the past three years.*

*The Guardian University Guide, The Sunday Times Good University Guide, The Complete University Guide

Principal's Report

On August 1st 1967, the University of Dundee came into formal existence by virtue of a Royal Charter. We have marked our 50th anniversary as an independent institution throughout 2017, welcoming thousands of people onto the campus, from alumni returning to the city from all over the world to the families of our new generation of graduates.

We reached our 50th birthday with plenty to celebrate, pointing to how our impact has grown over the decades. We have become a potent force for economic, social and cultural development in Dundee and the surrounding area, currently best illustrated by the rise of the V&A Museum of Design Dundee on the banks of the Tay, the concept for which originated within the University.

We are among the best universities in the UK for graduate employment and lead the way in Scotland in widening access ensuring that the doors of higher education are open to everyone, regardless of their social or economic background. We continue to be consistently rated as one of the best places in the UK to be a student, with an outstanding result in the National Student Survey and with more than 80% of our students in graduate level employment within 6 months of completing their studies.

Our teaching and research are genuinely transforming lives, both here in Dundee and around the world. Our world-class research has led us to be named among Europe's 'Most Innovative' universities by Reuters and we are the only UK university in the top 50 of the Nature Innovation Index. In the inaugural Teaching Excellence Framework we achieved the highest possible result, with a Gold rating, one of only twelve institutions across the UK to hold that accolade alongside a place in Times Higher Education's World Top 200 Universities.

We have grown to be a richly diverse and international community, with around 150 countries represented amongst our staff, students and alumni. It is that sense of community which forms the core of our strategy for the next five years, harnessing the best of all of our talents, to gain collaborative advantage over our competitors.

These are extraordinary achievements. What we need to do is work hard to ensure these advances are sustainable and the basis for further development. We do face continuing significant challenges. The picture for higher education across the UK has rarely looked so uncertain, with debate raging over big issues from student finance and tuition fees to Brexit and the international movement of students and staff.

Our Strategy to 2022 has been developed within the context of our long-term goal to become Scotland's leading university, known for transforming lives locally and globally through the creation, sharing and application of knowledge. If we can capitalise on collaborative advantage within our community and with our partners, we will be a focal point for wider social, cultural and economic transformation.

In doing so we will be well equipped both to face the challenges we currently see emerging across the landscape but also, crucially, positioned to take advantage of the opportunities which will also arise over the coming years.



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



Strategy to 2022

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

Our core purpose

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

Our values

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

Our vision

We will be recognised as Scotland's leading university.

Our community

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

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

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

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

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

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

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

‘We’re all pulling in one direction’

“It’s the community here at the University of Dundee that brought me here as a student in the first place. From the management to the students to the janitors to the academics, we’re all pulling in one direction. And from the minute I stepped foot in Dundee, that’s what I felt.”

Sean O’Connor
President, Dundee University Students’ Association



Our organisational structure

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

| | Staff numbers | Student Numbers (Headcount) | Student Numbers (FTE) ¹ | Expenditure £m |
|-------------------------------------|---------------|--------------------------------|---------------------------------------|----------------|
| School of Art & Design | 123 | 1,381 | 1,272 | 8.8 |
| School of Dentistry | 86 | 504 | 409 | 6.9 |
| School of Education & Social Work | 93 | 1,844 | 1,389 | 5.8 |
| School of Humanities | 63 | 1,764 | 1,194 | 4.3 |
| School of Life Sciences | 679 | 823 | 823 | 55.9 |
| School of Medicine | 551 | 3,646 | 1,620 | 43.1 |
| School of Nursing & Health Sciences | 91 | 2,500 | 1,423 | 6.1 |
| School of Science and Engineering | 180 | 1,739 | 1,627 | 14.1 |
| School of Social Sciences | 178 | 3,503 | 2,942 | 14.4 |
| Professional Services | 870 | 585 | 187 | 69.4 |
| Other | - | - | - | 23.1 |
| | 2,914 | 18,289 | 12,886 | 251.9 |

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



Newly refurbished Main Campus Library

Student Partnership

Students are at the heart of what we do, which is illustrated by our sector-leading approach to student representation. Students form a part of our governing bodies, committees and appointing panels for important posts such as the Chair of Court, the Principal, Vice-Principals, Deans and Directors. Student opinion is central to our community and we are committed to responding to their feedback and driving enhancement. This is reflected in our strong and improving scores in the National Student Survey, where we are ranked in the top ten in the UK for overall satisfaction. Dundee University Students' Association (DUSA) was ranked in the top 10 in the UK and top in Scotland between 2012 to 2016 with overall satisfaction for students' associations, when this question was in use, and top in Scotland in the more recent Times Higher Student Experience Survey in 2017.

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

Cash and cash
equivalents
increased by

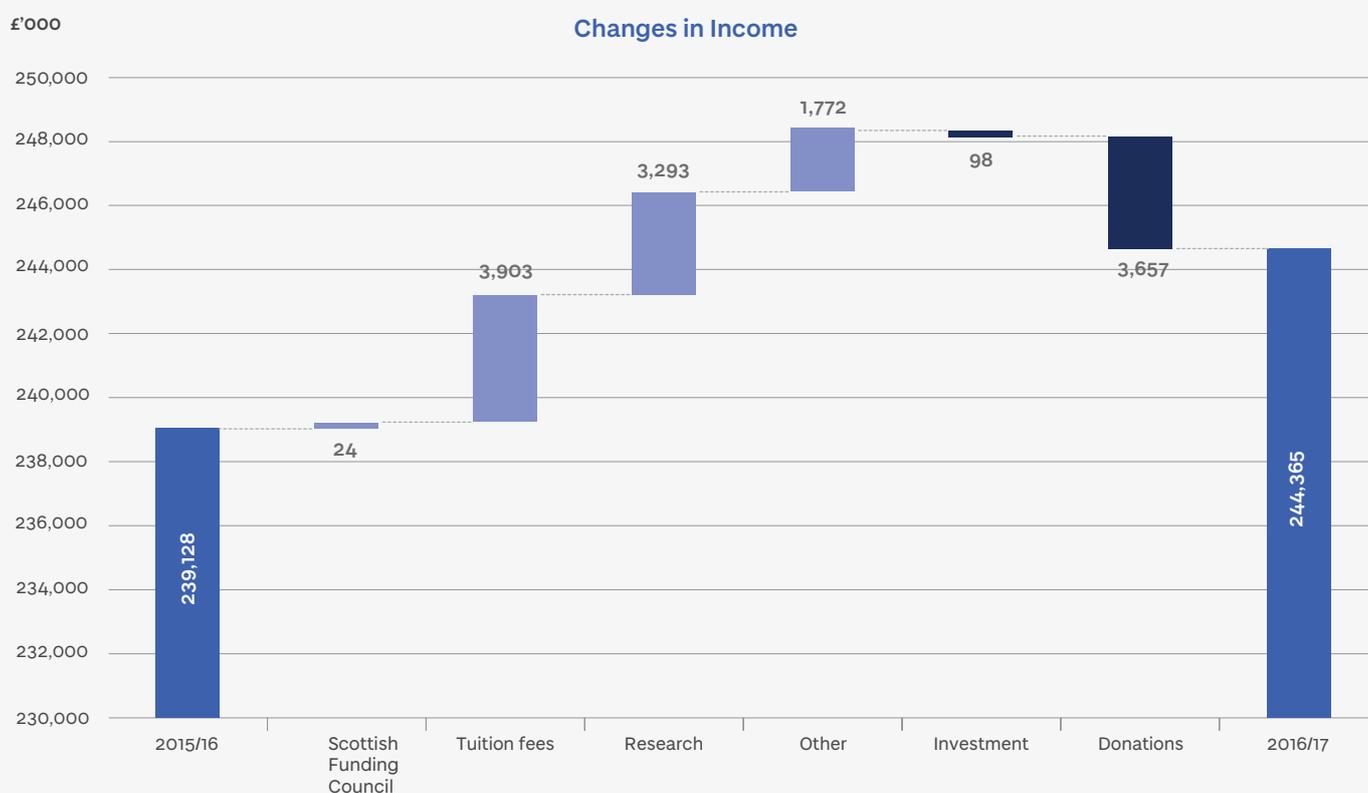
£11.7m

Financial Review

The overall financial result for the year was satisfactory with total comprehensive income of £9.3m. Within this figure there are significant non-cash items, both income and costs, so it is also positive to note that cash balances increased over the year by £11.7m to stand at £46.9m. With total net assets of £202.6m and borrowings of less than £1.0m the financial position of the University is strong but the outlook remains difficult.

As predicted last year the operating performance declined, with the deficit before other gains and share of operating loss in associate increasing by £1.9m to £7.5m. Total funding from the Scottish Funding Council remained flat while social security costs and pension costs increased by £3.1m as a result of changes to National Insurance rates and employers' pension contributions. These changes were known in advance and the University has continued to focus on increasing its tuition fee income while also increasing the financial efficiency of its teaching and research in order to maintain financial sustainability.

Income



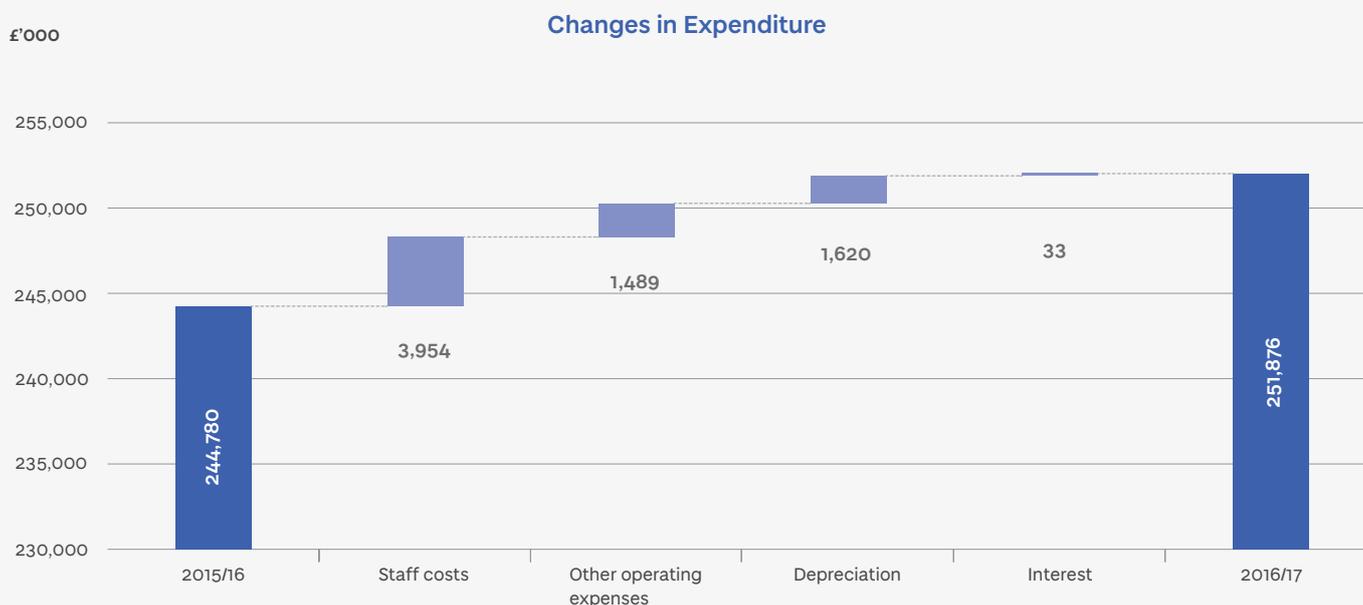
Total income increased by 2.2% to £244.3m. The University continues to focus on recruiting students from the rest of the UK (RUK) and from outside the European Union. Increasing numbers of students from these markets helped to drive tuition fees up by £3.9m, with non-EU fees increasing by over 12%. Further growth in tuition fees is expected in 2017/18 although recruiting students from outside the EU continues to be difficult as a result of immigration controls and general uncertainty around Brexit.

Research income increased by £3.3m with grants from UK charities growing by 14.7%. The University continues to be one of the most research intensive institutions in the UK, reflecting the quality of its research in many areas.

Growth in other income was mainly due to licensing income increasing by £1.0m, together with income from non-research projects increasing by £1.4m.

Total grant income from the Scottish Funding Council, which represent approximately one third of total income, was flat. These grants are not expected to increase in the coming years and, as a result, inflationary increases in costs will continue to be met by a series of efficiency initiatives across the University as well as a strategy which is focussed on increasing income from other sources.

Expenditure



Staff costs is the most significant cost category representing 56.6% of total costs. The year on year increase of £3.9m, or 2.9%, was largely driven by the increase in National Insurance rates and contributions to the Universities Superannuation Scheme (USS) in April 2016. Wages and salaries only increased by 0.8% compared to the 1.1% pay increase for the year while staff numbers increased slightly from 2,893 to 2,914. The main increase in staff numbers occurred in administration and central services reflecting investments in areas to support increased recruitment of students and ensuring those students are properly supported once they arrive in Dundee.

Other gains and losses

For the second year in succession the University achieved significant gains on the disposal of non-current asset investments. This is mainly from realising value from certain intellectual property developed in the School of Life Sciences through spin-out and other companies.

The gain on investments of £2.4m relates to the University's endowments which are managed on its behalf by external fund managers.

Remeasurement of pension scheme liability

This figure relates to the University of Dundee Superannuation Scheme (UoDS) and largely reflects the impact of changes of investment market yields on the valuation of the scheme's liabilities. It is very sensitive to small movements in yields and can therefore be extremely volatile as can be seen by the charge of £26.7m in 2015/16 followed by the credit in 2016/17 of £10.7m. The figure is not a cash item but represents short term movements in the long term pension liability. The cash impact is felt as contribution rates to the scheme change. This scheme is currently undergoing its triennial valuation as at 31 July 2017 and ongoing contribution rates will be assessed as part of this exercise.

Capital expenditure

Capital expenditure increased during the year to ensure that the infrastructure properly supports the strategic objectives of the University and that our reputation for an excellent student experience is maintained. Significant expenditure was incurred on fitting out the final floor of the Discovery Centre, creating some innovative new space within the Library to better meet student needs as well as reconfiguring and refurbishing parts of the main administration building. Investment also continues to be made in upgrading and developing the University's IT infrastructure as part of the Business Transformation project. The new network infrastructure provides enhanced wi-fi and wired capability across all campuses for students and staff alike while the first of the new business systems is expected to be launched during 2017/18. This will be the start of replacing all the main administrative systems across the University which will improve processing efficiency and provide enhanced management information.

Treasury and investments

Cash and cash equivalents increased by £11.7m over the year to stand at £46.9m. The movement was supported by deferred income increasing by £17.0m which more than offset reductions in other short term creditors and accruals. In addition debtors fell by almost £4.6m, helped by the implementation of new systems as part of the Business Transformation programme, which allow students to manage their accounts with the University on-line. This resulted in faster payments and lower levels of bad debt.

The University continues to hold significant amounts of Euro denominated bank deposits as part of its hedging strategy to match Euro denominated deferred income liabilities. At the year end the balance amounted to EUR18.8m.

The University has a small number of interest free loans which have been used to finance energy saving investments. These loans are repaid as the energy savings are realised. The total value of these loans at the year end was £986,000. Interest rate hedging is not required as no interest is payable.

The University also has a £40m revolving credit facility which expires in May 2021. This facility remains undrawn.

Endowment assets continue to be managed by independent fund managers whose performance is monitored by the University's Finance and Policy Committee. Their objective is to achieve investment returns which exceed a benchmark calculated from a mix of UK bond, UK equity and international equity indices. The value of these investments increased during the year by £2.4m and generated investment income of £0.8m.

Supplier payments

The University supports the Prompt Payment Code in its relationship with suppliers. It is the University's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the University and its suppliers, providing that all trading terms and conditions have been complied with. At 31 July 2017 the University had an average of 29 days' purchases outstanding in trade creditors. Interest paid under the Late Payment of Commercial Debts (interest) Act 1998 was £nil.

Pensions

Pensions remain an important and valuable part of employees' remuneration. The University contributes to two main pension schemes for its employees; the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation Scheme (UoDS). A detailed analysis of these schemes is given in note 31 of the Financial Statements. Both schemes are currently going through a formal triennial valuation and, in common with many other schemes, these are expected to show a deterioration in the financial position of the schemes which may require changes to be made to contribution rates and / or benefits in the future.



Newly refurbished Main Campus Library



Duncan of Jordanstone College of Art and Design

One of Europe's most innovative universities

In the 2017 Nature Innovation Index Dundee is the only UK university in the top 50, while Reuters ranking of the 'Most Innovative Universities in Europe' had Dundee top in Scotland and ranked 5th in the UK, behind only Cambridge, Oxford, Imperial and Manchester.

Key performance indicators

These are the final key performance indicators to be reported for the strategic plan covering the period 2012 – 2017. This has been a successful period with the University improving its position in many league tables and being voted Scotland's University of the Year in both 2016 and 2017. This is supported by many of the indicators showing favourable results. The only area where significant improvement is required remains the measures around financial sustainability. While the University's financial results have been variable over the last five years there remains optimism that the financial performance has firmer foundations despite the difficult external environment.

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

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

A new strategy was launched in September 2017 covering the five years to 2022 and, as part of this, a new set of composite KPIs has been developed which will be reported in future years.

Equality and Diversity

The University of Dundee is committed to advancing equality, diversity and inclusion through maintaining a positive and supportive environment where all members of staff, students and visitors are valued, respected and discriminatory behaviour is not tolerated.

The University recently launched its Equality Outcomes Plan 2017-2021 which builds on the success and achievements of the previous plan. The new plan, with its four outcomes and its associated actions, will help to positively effect a required change in its culture and practice which will help to meet the equality duty to eliminate discrimination, advance equality of opportunity and foster good relations covering all the nine protected characteristics (Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex, Sexual Orientation).

The four identified key priority areas for focus:

Outcome 1: Develop and promote a positive, safe and inclusive environment within the University culture and behaviour

Outcome 2: To improve Student experience through promoting inclusive and supportive teaching and learning environment

Outcome 3: To widen collection and analysis of robust and reliable data

Outcome 4: To improve Staff experience through inclusive and supportive environment

Our Mainstreaming Report 2017 highlights how the University has progressed in fulfilling its obligations under the Specific Duties in Scotland and to report on the progress of the Equality Outcomes Plan 2013-2017. Updates and information on the Outcomes Plan 2013-2017 can be found at www.dundee.ac.uk/hr/equality/psed, which demonstrates the good progress the University has made in meeting its Public Sector Equality Duty (PSED) requirements through its implementation of the seven outcomes and associated actions.

The following equality reports which were approved by our Court in 2017 are also available on our website:

- Equality Outcomes Plan 2017 - 2021
- Employee equality information
- Gender Pay Gap information
- Equal Pay Statement including occupational segregation for gender, disability and race

The University firmly believes that embedding and mainstreaming equality and diversity training and awareness is a key area of focus to build a culture of change. This enables the University community to create a positive environment that results in the elimination of discrimination and promotes behaviour that supports positive attitudes and practices. The University is committed to ensuring its staff and students are appropriately trained in equality and diversity as part of its wider strategy.

The University's ongoing mandatory training programme covers all staff. Our commitment to training also extends to students. We have since 2015 launched a new online training resource in Unconscious Bias as well as face to face workshops through our Organisational and Professional Development service. The University, through the Equality and Diversity Office, has recently engaged all the relevant staff and stakeholders to undertake Equality Impact Assessment (EIA) training as it is a statutory requirement of the PSED.

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. This includes specific training on supporting students/staff with a range of disabilities and training on the provision of an inclusive learning and working environment. <http://www.dundee.ac.uk/disabilityservices/staff/staffdevelopment/>

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 policies and outcomes and contribute towards helping the University create a positive environment.

The University, through the Equality and Diversity Office, is currently supporting two Staff Networks:

- Black and Minority Staff (BME) Steering Group
- Lesbian, Gay, Bisexual and Transgender (LGBT) Staff Network.

Since joining the Athena SWAN Charter in 2012, the University has continued the advancement of gender equality. The University currently holds an institution Bronze award along with successfully achieving several departmental Bronze awards. Currently, a number of Schools are actively working towards achieving Silver award by submitting applications during the 2018 rounds. In addition to events and seminars organised by the University Athena SWAN groups, further support and contribution towards the commitment of advancing Gender equality in the University is provided on an ongoing basis through the Organisational and Professional Development (OPD) team.



Ronald Bowie
Chairman of Court



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

Scottish University of the Year 2016 + 2017

The Times and Sunday Times
Good University Guide

The UK's top 'young' university

We celebrated our 50th anniversary as an independent institution in 2017. In Times Higher Education's Young University Rankings 2017, we were the highest rated UK university.



Newly refurbished Scrymgeour Building 2017

Corporate Governance

This report covers the period from 1 August 2016 to 11 December 2017.

The seven principles identified by the Committee on Standards in Public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) are a core element of how the University aspires to conduct its business. The University's governance framework and processes follow the Scottish Code of Good Higher Education Governance 2013 ['the Code'] and the University considers itself compliant with the principles laid out in it. At the time of preparing this report, a revision to this Code was being finalised for publication. It will be the University's intention to comply with all aspects of the revised Code, and amendments to the governance framework and procedures of the University will be a key focus for the governing body throughout the next reporting period. The University has moved quickly to implement the requirements of the Higher Education Governance (Scotland) Act 2016 ['the Act'], amending its governing instruments, with the approval of the Privy Council, to give full force to the Act.

Charter and Statutes

The University is an independent corporation and a registered Scottish charity (SC015096). Its legal status derives from a Royal Charter originally granted in 1967 and its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, as amended from time to time with the approval of the Privy Council. The core purpose of the University, as set out in the 'Strategy to 2022' document (www.dundee.ac.uk/strategy), is 'to transform lives, locally and globally through the creation, sharing and application of knowledge'. This statement of purpose, supported by a vision to be recognised as Scotland's leading university, builds on and cements the formal original objects of the University, as laid out in the Charter, which are to 'advance and diffuse knowledge, wisdom and understanding by teaching and research and by the example and influence of the University's corporate life'.

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

- a. Court** is the governing body, responsible for the finance, property, investments, employment of staff and general business of the University, and for setting the general strategic direction of the institution. The statement of Primary Responsibilities adopted by the Court can be found at: www.dundee.ac.uk/governance/governance/court/primary-responsibilities

It has a total membership of 24, with a majority of lay members from outside the University. Members also include representatives of the student body and the staff of the University, including two members nominated by the trade unions. The Chair of Court was appointed in April 2016 to serve for three years from 1 August 2016. Following external advertisement, a panel comprising lay, student and staff members of Court interviewed shortlisted candidates before making a recommendation for appointment to the Court. Future appointments to the role will be carried out in line with the Act. The Deputy Chair of Court is appointed by the Court

on the recommendation of the Governance & Nominations Committee. The lay members are all considered to be independent. The Governance & Nominations Committee appoints eight such co-opted members following an external advertisement and interview. This process takes into account the skills and diversity of existing Court members as well as future requirements and issues of succession, for example, to convenorships of Court Committees. The Court uses a skills matrix developed to inform lay appointments to the Court and has agreed a statement setting out its goals in relation to the balance of its membership in terms of equality and diversity. None of the lay members receives any payment, apart from the reimbursement of expenses, for the work they undertake for the University.

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.

- 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. The membership conforms to the requirements of the Act: more than half of its membership comprises elected staff and students, and students comprise more than 10% of the total membership. Its role is to direct and regulate the teaching, learning and research work of the University. Senate is chaired by the Principal and Vice-Chancellor.

Committees

Although Court meets at least five times each academic year, much of its detailed work is handled by committees: Finance & Policy Committee, People & Organisational Development Committee, Governance & Nominations Committee, Remuneration Committee and Audit Committee. These committees have written remits, which are reviewed annually, and their decisions and recommendations are formally reported to Court. They each have a specified membership, including lay members and a lay convener, which is approved on an annual basis.

The composition of Court and its committees, along with the attendance of members at meetings during the session 2016/17, is set out in the table below. In summary the committees operate as follows:

On an annual basis the **Governance & Nominations Committee** considers the contributions and commitment of members to the work of the Court and its Committees and more generally to the life of the University. The Governance & Nominations Committee has general oversight of the governance framework of the institution, considers changes to the governing instruments and makes recommendations to Court on Court and committee membership. It takes particular interest in ensuring the overall effectiveness of the Court and its committees. The Committee also engages with aspects of quality assurance both in learning

and teaching and in research, and this, along with regular reports from the Senate, enables the Committee to advise Court on its obligations in relation to academic quality.

The **Remuneration Committee** determines the remuneration of the most senior staff, including the Principal. In preparation for this role, it is guided by the Court on the policy it wishes the Committee to adopt in reaching its decisions with regard to senior pay. The Committee currently comprises four lay members of Court. The Chairperson of Court is included within this membership but is not the Convener of the Committee. Whilst the Principal may attend to advise on the remuneration of senior officers of the University, the Principal is not present at any discussion by the Committee in relation to his own remuneration.

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

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

independence of the University's external auditors, provision by them of any non-audit services is subject to the approval of the Audit Committee.

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

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

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

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

Effectiveness

Members of the governing body are encouraged to participate in training and development sessions offered as part of the Leadership Foundation for Higher Education's Governor



Development Programme, and additional training sessions are organised from time to time throughout the year 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, and each committee also reflects annually on its own effectiveness and general operation, with outputs from these committee reviews being considered by the Court. In addition, the effectiveness of Court and of its Committees is evaluated formally at least every five years using external facilitation. The last such review took place in the summer of 2014 and the next must take place at the latest by the summer of 2019. The Audit Committee also carries out formal self-assessments and the most recent was carried out in spring 2017, and a number of recommendations for enhancement have subsequently been adopted. The Chairperson of Court meets with other Court members on an individual and informal basis at least annually to discuss their contribution and provide guidance if needed; this also provides an opportunity for the Chairperson to assess whether members continue to have confidence in the conduct of Court business as well as in the performance of the Principal and the University Executive Group. This information is also used by the Governance & Nominations Committee to determine whether lay members' appointments to the Court should be renewed.

The Chairperson is responsible for ensuring that the University is well connected with, and responsive to, key stakeholder groups – many of whom are represented on Court. In doing so, the Chairperson meets informally on a regular basis with senior academic and professional service managers, and from time to time attends meetings of the Senate, the University Executive Group and other senior management groups.

Executive

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

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

Remuneration levels of the members of the UEG as at 31 July 2017, excluding employer's pension contributions, were as follows:

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

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

Strategic Planning and Monitoring

Following a period of comprehensive consultation, the University has now finalised and approved a new framework which sets out its strategic goals and objectives for the next planning period: Strategy to 2022. In measuring its progress in achieving these goals and objectives, Court will receive regular reports from the Director of Strategic Planning on action plans and performance indicators, which will be supported by access to a dynamic online dashboard. The indicators cover a range of measures from undergraduate entry requirements and graduate employment rates to fee income levels, volume of research, income per academic full time equivalent (fte), and space and energy efficiency. An annual summary of performance relative to key performance indicators and progress towards strategic objectives is published on the Court web pages:

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

Statement of Responsibilities

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

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

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

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

Court also has a responsibility to:

- ensure that funds from the SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions which the SFC may from time to time prescribe

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and hence to take reasonable steps to prevent and detect fraud
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure

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

- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- Regular reviews of financial results, involving variance reporting and updates of forecast out-turns
- Clear definitions of the responsibilities of, and authority delegated to, budget-holders in academic Schools and the professional services
- Detailed financial operating procedures for the authorisation and control of expenditure, whose provisions are approved by the Finance and Policy Committee and monitored by the Audit Committee
- A professional internal audit team whose annual programme is approved by the Audit Committee on Court's behalf and which submits to the Audit Committee an annual report on internal audit activity and on the adequacy and effectiveness of the University's system of internal financial and other controls. Any system of internal financial control, however, only provides reasonable, not absolute, assurance against material misstatement or loss.

The University Executive Group, Court and the Audit Committee formally review the risk register regularly, and at least twice a year.

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

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

Dundee at a glance

18000 Students

- Our University is home to more than 18,000 students and more than 3000 staff

25% overseas students

- We are a diverse community 25% of the students we are engaged with are from outside the UK, coming from over 140 different countries

£740m

- **For the Scottish Economy** Our annual turnover is in excess of £240million. We contribute £740million a year to Scotland and the UK

World Top 200

- We are one of Times Higher Education's world top 200 universities and the top 'young' UK university in the '200 under 50' rankings

World Top 50

- The only UK university ranked in the world top 50 of the *Nature Innovation Index*

1 in 5

- Dundee is Scotland's most student-friendly city with around 1 in 5 of the population in higher or further education

No. 1 in Scotland

- **Ranked Top in Scotland** for international student satisfaction - International Student Barometer

Court and Committee Attendance 2016/17

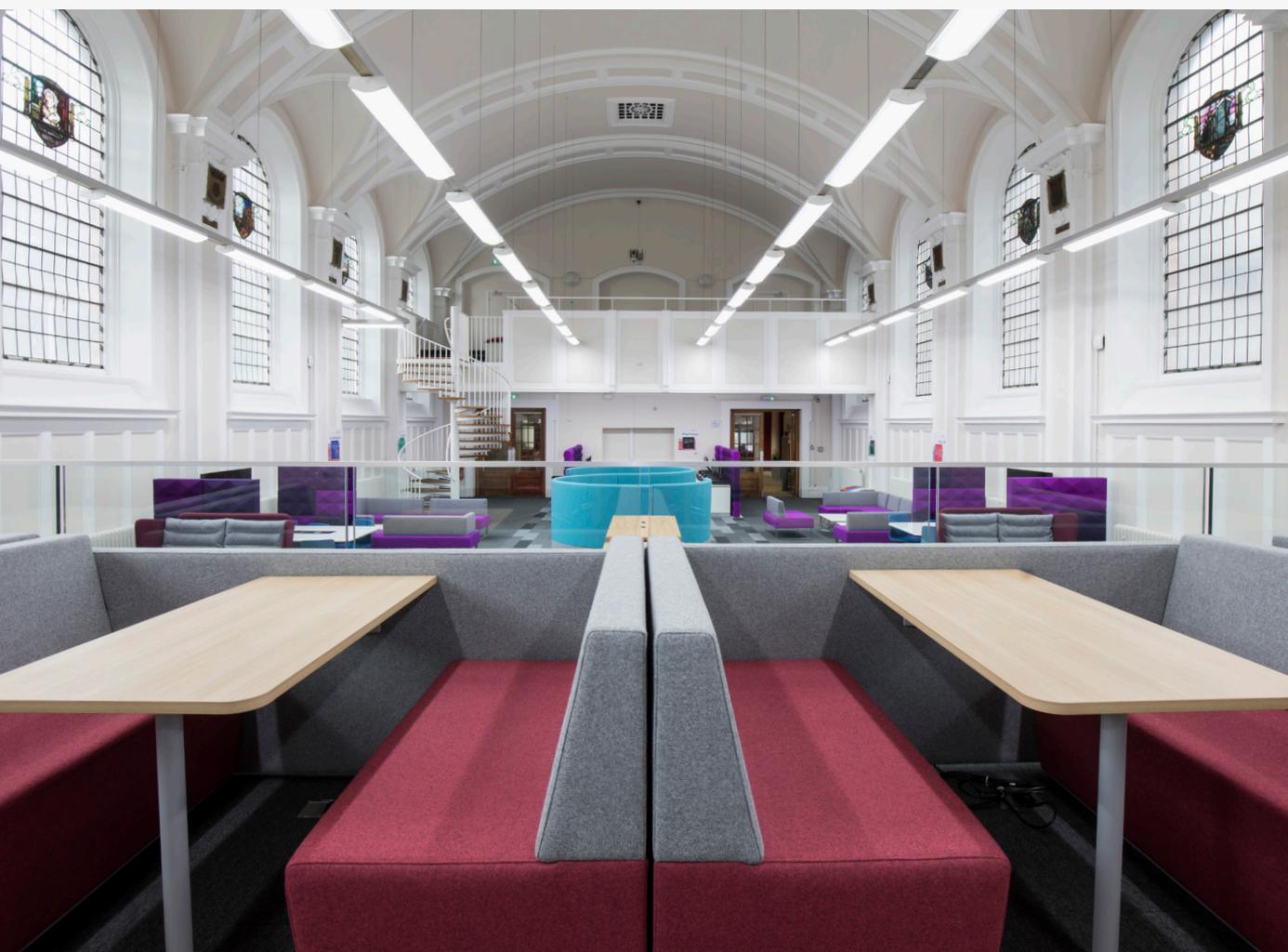
(up to 31 July 2017)

| | | Court (of 6) | F&PC (of 6) | G&NC ³ (of 5) | PODC (of 3) | AC ⁴ (of 4) | RC (of 1) |
|-------------------------------------|-----------------|--------------|-------------|--------------------------|-------------|------------------------|-----------|
| Ronald Bowie*, Chairperson | | 6 (C) | 6 | 5 | | | 1 |
| Jo Elliot*, Deputy Chairperson | | 6 | 6 (a) | | | 4 (c) | |
| Janice Aitken | | 6 | | 5 | | | |
| Anne Anderson | From 01/12/2016 | 4 (of 4) | | | 2 (of 2) | | |
| Richard Bint* | | 5 | | 5 | | 4 | |
| Professor Dame Sue Black | To 31/08/2017 | 6 | 4 | | | | |
| Lord Provost Ian Borthwick* | From 22/05/2017 | 0 (of 1) | | | | | |
| Dr William Boyd* | | 6 | | | 3 | 4 | |
| Shirley Campbell* | | 6 | | | 2 (c) | | 0 |
| Professor Stuart Cross | To 31/08/2017 | 5 | | | 3 | | |
| Principal Professor Sir Pete Downes | | 5 | 6 | 3 | | | |
| Lord Provost Robert Duncan* | To 04/05/2017 | 1 (of 5) | | | | | |
| Ezichi Ekpe | From 01/08/2017 | | | | | | |
| Iain Howie* | To 31/03/2017 | 4 (of 5) | 5 (of 5) | | | | 1 |
| Professor Tim Kelly | | 6 | | | 3 | | |
| Bernadette Malone* | | 4 | 2 | 2 | | | 1 |
| Jane Marshall* | | 6 | 6 | 5 | | | |
| Allan Murray* | | 5 (of 5) | | | | 3 | |
| Sean O'Connor | | 5 | | 4 | | | |
| Alison Reeves | | 6 | | | 2 | | |
| Karen Reid* | | 4 | | | 1 | | |
| Dr Jean Robson* | From 01/08/2017 | | | | | | |
| Andrew Richmond* | | 4 | 6 (c) | | | 4 (a) | |
| David Ritchie | To 30/11/2016 | 2 (of 2) | | | 0 (of 1) | | |
| Professor Mairi Scott | | 6 | 4 | 3 | | | |
| Sharon Sweeney | From 01/08/2017 | | | | | | |
| Denis Taylor* | | 6 | | | 3 | | |
| Indre Urbanaviciute | To 31/07/2017 | 6 | 6 | | | | |
| Phil Welsh | From 01/08/2017 | | | | | | |

(a) In attendance

(c) Convener

*Lay Members



Newly refurbished Scrymgeour Building 2017

Notes

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

F&PC = Finance & Policy Committee

G&NC = Governance & Nominations Committee

PODC = People & Organisational Development Committee

AC = Audit Committee

RC = Remuneration Committee

¹The Audit Committee has two additional co-opted members, who are not members of Court: Sandra Morrison-Low, who attended twice in 2016/17 and Neil Menzies, who attended 4 times. Karen Bassett was appointed in August 2017 as a successor for Sandra Morrison-Low who reached the end of her term of office on 31 July 2017.

The Convener of the Finance and Policy Committee is invited to attend meetings of the Audit Committee and a reciprocal arrangement is in place for the Convener of the Audit Committee

to attend meetings of the Finance and Policy Committee. This arrangement does not give each of them voting rights on the Committee of which they are not convener.

A great place to live, work and study

Dundee is one of the best places in the UK to be a student. Times Higher Education placed us in their 'top tier' of universities in the 2017 National Student Survey.



Duncan of Jordanstone College of Art and Design Make Lab

Risks

How risks are managed

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

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

- to define the organisation's appetite for risk in its different areas of activity
- to embed a culture of risk management throughout the University
- to motivate staff to take ownership of risks
- to control the organisation's risk management programme through monitoring, audit and other techniques

A Risk Management Oversight Group implements the policy and accompanying risk management framework. The Group is chaired by the University Secretary with representation from the Schools and Professional Services.

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

Identified key risks

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

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

Opinion

We have audited the financial statements of University of Dundee for the year ended 31 July 2017 which comprise the Consolidated and University Statement of Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheets, the statement of Consolidated Cash Flows, the Statement of Principal Accounting Policies and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK".

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2017 and of the Group's and the University's income and expenditure, recognised gains and losses, and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK";
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report set out on pages 2 to 28, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the University Court

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

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

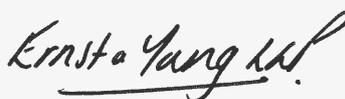
Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the University Court of the University of Dundee, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charity Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University of Dundee and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.

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



Ernst & Young LLP

Statutory Auditor
Edinburgh

15 DECEMBER 2017

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

Notes:

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

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

| | |
|----|--|
| 32 | Consolidated and University Statement of Income and Expenditure |
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Financial Statements

Year Ended
31 July 2017

Consolidated and University Statement of Income and Expenditure

Year Ended 31 July 2017

| | Notes | Year ended 31 July 2017 | | Year ended 31 July 2016 | |
|--|-------|-------------------------|--------------------|-------------------------|--------------------|
| | | Consolidated £000 | University £000 | Consolidated £000 | University £000 |
| Income | | | | | |
| Scottish funding council grants | 1 | 81,654 | 81,654 | 81,630 | 81,630 |
| Tuition fees and education contracts | 2 | 51,335 | 51,335 | 47,432 | 47,432 |
| Research grants and contracts | 3 | 76,158 | 76,158 | 72,865 | 72,865 |
| Other income | 4 | 32,007 | 32,072 | 30,235 | 29,926 |
| Investment income | 5 | 867 | 867 | 965 | 964 |
| Donations and endowments | 6 | 2,344 | 2,342 | 6,001 | 5,991 |
| Total income | | 244,365 | 244,428 | 239,128 | 238,808 |
| Expenditure | | | | | |
| Staff costs | 7 | 142,459 | 142,061 | 138,505 | 138,252 |
| Other operating expenses | 8 | 87,448 | 87,576 | 85,959 | 86,413 |
| Depreciation | 13 | 19,417 | 19,311 | 17,797 | 17,626 |
| Interest and other finance costs | 9 | 2,552 | 2,552 | 2,519 | 2,519 |
| Total expenditure | | 251,876 | 251,500 | 244,780 | 244,810 |
| Deficit before other gains and share of operating loss in associate | | (7,511) | (7,072) | (5,652) | (6,002) |
| Gain on disposal of non-current assets - fixed assets | | 399 | 399 | 314 | 314 |
| Gain on disposal of non-current assets - investments | | 3,395 | 3,395 | 3,106 | 3,106 |
| Gain on investments | | 2,441 | 2,441 | 816 | 816 |
| Share of operating loss in associate | 20 | (85) | - | (1,105) | - |
| Deficit before tax | | (1,361) | (837) | (2,521) | (1,766) |
| Taxation | 10 | - | - | (237) | (237) |
| Deficit for the year | | (1,361) | (837) | (2,758) | (2,003) |
| Remeasurement of pension scheme liability | 31 | 10,744 | 10,744 | (26,771) | (26,771) |
| Total comprehensive income/(loss) for the year | | 9,383 | 9,907 | (29,529) | (28,774) |
| Represented by: | | | | | |
| Endowment comprehensive income for the year | | 2,470 | 2,470 | 843 | 843 |
| Restricted comprehensive income for the year | | 21 | 21 | 660 | 660 |
| Unrestricted comprehensive income/(loss) for the year | | 6,892 | 7,416 | (31,032) | (30,771) |
| | | 9,383 | 9,907 | (29,529) | (28,774) |

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of Changes in Reserves

Year Ended 31 July 2017

| Consolidated | Income and expenditure account | | | Total |
|---|--------------------------------|--------------|-----------------|-----------------|
| | Endowment | Restricted | Unrestricted | |
| | £000 | £000 | £000 | £000 |
| Balance at 1 August 2015 | 24,951 | 2,253 | 195,562 | 222,766 |
| Surplus / (deficit) from the income and expenditure statement | 1,829 | 909 | (5,496) | (2,758) |
| Other comprehensive loss | - | - | (26,771) | (26,771) |
| Release of restricted funds spent in year | (986) | (249) | 1,235 | - |
| Total comprehensive income/loss for the year | 843 | 660 | (31,032) | (29,529) |
| Balance at 1 August 2016 | 25,794 | 2,913 | 164,530 | 193,237 |
| Surplus / (deficit) from the income and expenditure statement | 3,495 | 376 | (5,232) | (1,361) |
| Other comprehensive loss | - | - | 10,744 | 10,744 |
| Release of restricted funds spent in year | (1,025) | (355) | 1,380 | - |
| Total comprehensive income for the year | 2,470 | 21 | 6,892 | 9,383 |
| Balance at 31 July 2017 | 28,264 | 2,934 | 171,422 | 202,620 |

| University | Income and expenditure account | | | Total |
|---|--------------------------------|--------------|-----------------|-----------------|
| | Endowment | Restricted | Unrestricted | |
| | £000 | £000 | £000 | £000 |
| Balance at 1 August 2015 | 24,951 | 2,253 | 198,976 | 226,180 |
| Surplus / (deficit) from the income and expenditure statement | 1,829 | 909 | (4,741) | (2,003) |
| Other comprehensive loss | - | - | (26,771) | (26,771) |
| Release of restricted funds spent in year | (986) | (249) | 1,235 | - |
| Total comprehensive income/loss for the year | 843 | 660 | (30,277) | (28,774) |
| Balance at 1 August 2016 | 25,794 | 2,913 | 168,699 | 197,406 |
| Surplus / (deficit) from the income and expenditure statement | 3,495 | 376 | (4,708) | (837) |
| Other comprehensive loss | - | - | 10,744 | 10,744 |
| Release of restricted funds spent in year | (1,025) | (355) | 1,380 | - |
| Total comprehensive income for the year | 2,470 | 21 | 7,416 | 9,907 |
| Balance at 31 July 2017 | 28,264 | 2,934 | 176,115 | 207,313 |

Consolidated and University Balance Sheet

| | Notes | As at 31 July 2017 | | As at 31 July 2016 | |
|---|-------|----------------------|--------------------|----------------------|--------------------|
| | | Consolidated £000 | University £000 | Consolidated £000 | University £000 |
| Non-current assets | | | | | |
| Intangible assets | 12 | 2,479 | 2,479 | 91 | 91 |
| Fixed assets | 13 | 294,575 | 293,066 | 299,818 | 298,213 |
| Investments | 15 | 23,970 | 23,970 | 22,217 | 22,217 |
| | | 321,024 | 319,515 | 322,126 | 320,521 |
| Current assets | | | | | |
| Stock | | 224 | 224 | 255 | 255 |
| Trade and other receivables | 16 | 29,015 | 33,346 | 33,573 | 36,557 |
| Cash and cash equivalents | 17 | 46,973 | 43,805 | 35,285 | 32,126 |
| | | 76,212 | 77,375 | 69,113 | 68,938 |
| Less: Creditors: amounts falling due within one year | 18 | (83,673) | (83,732) | (80,689) | (79,753) |
| Net current liabilities | | (7,461) | (6,357) | (11,576) | (10,815) |
| Total assets less current liabilities | | 313,563 | 313,158 | 310,550 | 309,706 |
| Creditors: amounts falling due after more than one year | 19 | (2,620) | (2,620) | (986) | (986) |
| Provisions | | | | | |
| Pension provisions | 20 | (97,605) | (97,605) | (106,557) | (106,557) |
| Other provisions | 20 | (10,718) | (5,620) | (9,770) | (4,757) |
| Total net assets | | 202,620 | 207,313 | 193,237 | 197,406 |
| Restricted Reserves | | | | | |
| Income and expenditure reserve - endowment reserve | 21 | 28,264 | 28,264 | 25,794 | 25,794 |
| Income and expenditure reserve - restricted reserve | 22 | 2,934 | 2,934 | 2,913 | 2,913 |
| Unrestricted Reserves | | | | | |
| Income and expenditure reserve - unrestricted | | 171,422 | 176,115 | 164,530 | 168,699 |
| Total Reserves | | 202,620 | 207,313 | 193,237 | 197,406 |

Consolidated and University Balance Sheet

The financial statements were approved by the Court on 11 December 2017 and were signed on its behalf on that date by:



Ronald Bowie
Chairman of Court



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



Andrew Hewett
Director of Finance

Consolidated Cash Flow

Year Ended 31 July 2017

| | Notes | Year ended 31 July 2017 Consolidated £000 | Year ended 31 July 2016 Consolidated £000 |
|--|-------|--|--|
| Cash flow from operating activities | | | |
| Deficit for the year | | (1,361) | (2,758) |
| Adjustment for non-cash items | | | |
| Depreciation | 13 | 19,417 | 17,797 |
| Gain on endowments and investments | | (2,441) | (816) |
| Increase in stock | | 31 | (12) |
| Decrease / (increase) in debtors | 16 | 4,558 | 2,783 |
| Increase / (decrease) in creditors | | 1,766 | 2,587 |
| (Decrease) / increase in pension provision | | 83 | (328) |
| (Decrease) / increase in other provisions | 20 | 863 | (986) |
| Pension costs less contributions payable | | (498) | (676) |
| Share of operating deficit in associate | 20 | 85 | 1,105 |
| Adjustment for investing or financing activities | | | |
| Investment income | 5 | (867) | (965) |
| Interest payable | 9 | 2,552 | 2,519 |
| Endowment income | 6 | (296) | (358) |
| Gain on sale of fixed assets | | (399) | (314) |
| Gain on sale of investments | | (3,395) | (3,106) |
| Capital grant income | 6 | (5,155) | (6,345) |
| Net cash inflow/(outflow) from operating activities | | 14,943 | 10,127 |
| Cash flows from investing activities | | | |
| Proceeds from sales of fixed assets | | 541 | 314 |
| Capital grants receipts | 6 | 5,155 | 6,345 |
| Disposal of non-current asset investments | | 14,525 | 7,841 |
| Investment income | 5 | 867 | 965 |
| Endowment funds invested | 6 | (296) | (358) |
| Withdrawal of deposits | | 296 | 358 |
| Payments made to acquire fixed assets | 13 | (14,318) | (7,109) |
| Payments made to acquire intangible assets | 12 | (2,388) | (91) |
| New non-current asset investments | 15 | (10,500) | (4,449) |
| | | (6,118) | 3,816 |
| Cash flows from financing activities | | | |
| Interest paid | 9 | (110) | (133) |
| Interest element of finance lease | 9 | (235) | - |
| Endowment cash received | 6 | 296 | 358 |
| New unsecured loans | 19 | 542 | - |
| Repayments of amounts borrowed | 19 | (97) | (97) |
| Capital element of finance lease | | 2,467 | - |
| | | 2,863 | 128 |
| Increase in cash and cash equivalents in the year | | 11,688 | 14,071 |
| Cash and cash equivalents at beginning of the year | 17 | 35,285 | 21,214 |
| Cash and cash equivalents at end of the year | 17 | 46,973 | 35,285 |

Statement of Principal Accounting Policies

Year Ended 31 July 2017

1. Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with applicable Financial Reporting Standards in the United Kingdom. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements have also been prepared in accordance with the Accounts Direction issued by the Scottish Funding Council.

The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

2. Basis of consolidation

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

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

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

3. Income recognition

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

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

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

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

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

Donations and Endowments

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

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

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

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

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

Capital grants

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

4. Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Dundee Superannuation and Life Assurance Scheme (UODS). Both schemes are defined benefit schemes. Each fund is valued every three years by professionally qualified independent actuaries.

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

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

Defined Contribution Plan

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

Defined Benefit Plan

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

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

5. Employment benefits

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

6. Finance leases

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

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

Expenditure on fixed assets acquired under finance leases and the related lease obligations is capitalised in so far as the costs exceed the University's capitalisation threshold.

7. Service concession arrangements

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

8. Operating leases

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

10. Fixed assets

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

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

Land and buildings

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

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

Depreciation

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

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

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

Assets in the course of construction are not depreciated until they are brought into use.

Repairs and maintenance

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

Assets used by the University

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

Assets held for resale

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

Equipment

Equipment, including computers and software, costing less than £25,000 per individual item or group of related items is recognised as expenditure in the year of acquisition. All other items of equipment are capitalised and depreciated on a straight line basis over their expected useful lives as follows:

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

Borrowing costs

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

11. Intangible Assets

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

12. Investments

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

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

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

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

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

13. Stocks

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

14. Cash and cash equivalents

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

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

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

15. Provisions, contingent liabilities and contingent assets

Provisions are recognised when

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

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

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

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

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

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

16. Taxation

The University is a charity within the meaning of part 1, chapter 2, section 7 of the Charities and Trustee Investment (Scotland) Act 2005, and is considered to pass the tests set out in paragraph 1, schedule 6, Finance Act 2010 and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity Number SCO15096) and therefore it meets the definition of the charitable company for UK corporation tax purposes.

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

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

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

17. Derivatives

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

18. Reserves

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

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

Notes to the Financial Statements

Year Ended 31 July 2017

| | Year Ended 31 July 2017 | | Year Ended 31 July 2016 | |
|--|-------------------------|---------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £000 | £000 | £000 | £000 |
| 1. Scottish funding council grants | | | | |
| General fund - teaching | 51,190 | 51,190 | 51,735 | 51,735 |
| General fund - research and knowledge exchange | 22,767 | 22,767 | 22,488 | 22,488 |
| Strategic funding | 2,542 | 2,542 | 3,962 | 3,962 |
| Capital funding | 5,155 | 5,155 | 3,445 | 3,445 |
| | 81,654 | 81,654 | 81,630 | 81,630 |
| 2. Tuition fees and education contracts | | | | |
| UK and EU fees | 26,672 | 26,672 | 25,044 | 25,044 |
| Non-EU fees | 20,697 | 20,697 | 18,386 | 18,386 |
| Non-credit bearing course fees | 704 | 704 | 926 | 926 |
| Other contracts | 3,262 | 3,262 | 3,076 | 3,076 |
| | 51,335 | 51,335 | 47,432 | 47,432 |
| 3. Research grants and contracts | | | | |
| Research councils | 18,909 | 18,909 | 18,605 | 18,605 |
| UK charities | 26,944 | 26,944 | 23,484 | 23,484 |
| European commission | 8,438 | 8,438 | 8,412 | 8,412 |
| Other grants and contracts | 21,867 | 21,867 | 22,116 | 22,116 |
| Research and development expenditure credit | - | - | 248 | 248 |
| | 76,158 | 76,158 | 72,865 | 72,865 |

Notes to the Financial Statements

Year Ended 31 July 2017

| | Notes | Year Ended 31 July 2017 | | Year Ended 31 July 2016 | |
|--------------------------------------|-------|-------------------------|--------------------|-------------------------|--------------------|
| | | Consolidated £000 | University £000 | Consolidated £000 | University £000 |
| 4. Other income | | | | | |
| Residences, catering and conferences | | 8,640 | 8,640 | 8,304 | 8,304 |
| Other services rendered | | 11,120 | 11,208 | 9,999 | 10,087 |
| Health authorities | | 4,785 | 4,785 | 5,611 | 5,611 |
| Other income | | 7,462 | 7,439 | 6,321 | 5,924 |
| | | 32,007 | 32,072 | 30,235 | 29,926 |
| 5. Investment income | | | | | |
| Investment income on endowments | 21 | 779 | 779 | 677 | 677 |
| Other investment income | | 88 | 88 | 288 | 288 |
| | | 867 | 867 | 965 | 965 |
| 6. Donations and endowments | | | | | |
| Capital grants | | - | - | 2,900 | 2,900 |
| New endowments | 21 | 296 | 296 | 358 | 358 |
| Donations with restrictions | 22 | 240 | 240 | 653 | 653 |
| Other income with restrictions | 22 | 136 | 136 | 257 | 257 |
| Unrestricted donations | | 1,672 | 1,670 | 1,833 | 1,823 |
| | | 2,344 | 2,342 | 6,001 | 5,991 |

Notes to the Financial Statements

Year Ended 31 July 2017

| | Notes | Year Ended 31 July 2017 | | Year Ended 31 July 2016 | |
|-------------------------------------|-------|-------------------------|--------------------|-------------------------|--------------------|
| | | Consolidated £000 | University £000 | Consolidated £000 | University £000 |
| 7. Staff costs | | | | | |
| Staff Costs : | | | | | |
| Wages and salaries | | 112,408 | 112,070 | 111,507 | 111,267 |
| Social security costs | | 11,015 | 10,998 | 9,531 | 9,518 |
| Other pension costs | 31 | 18,933 | 18,890 | 17,364 | 17,364 |
| Total | | 142,356 | 141,958 | 138,402 | 138,149 |
| | | | | | |
| Staff costs by major category: | | | | | |
| Academic departments | | 68,991 | 68,991 | 69,797 | 69,797 |
| Academic services | | 12,090 | 12,090 | 11,038 | 11,038 |
| Research grants and contracts | | 36,393 | 36,393 | 35,352 | 35,352 |
| Administration and central services | | 16,257 | 15,859 | 14,395 | 14,142 |
| Premises | | 4,626 | 4,626 | 4,669 | 4,669 |
| Other | | 3,523 | 3,523 | 2,813 | 2,813 |
| Catering and residences | | 476 | 476 | 338 | 338 |
| | | 142,356 | 141,958 | 138,402 | 138,149 |
| Restructuring costs | | 103 | 103 | 103 | 103 |
| | | 142,459 | 142,061 | 138,505 | 138,252 |
| | | | | | |
| | | 2016/17 | | 2015/16 | |
| Emoluments of the Principal: | | £000 | | £000 | |
| Salary | | 266 | | 264 | |

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

Year Ended 31 July 2017

7. Staff costs - continued

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

| | 2016/17 | 2016/17 | 2015/16 | 2015/16 |
|----------------------|---------------------|-----------------|--------------|----------|
| | Number | Number | Number | Number |
| | Non-clinical | Clinical | Non-clinical | Clinical |
| £100,000 to £109,999 | 6 | 4 | 5 | 9 |
| £110,000 to £119,999 | 7 | 6 | 7 | 11 |
| £120,000 to £129,999 | 2 | 11 | 3 | 7 |
| £130,000 to £139,999 | 4 | 11 | 2 | 9 |
| £140,000 to £149,999 | 4 | 2 | 2 | 1 |
| £150,000 to £159,999 | - | 3 | - | 5 |
| £160,000 to £169,999 | - | 6 | - | 5 |
| £170,000 to £179,999 | - | 1 | - | 1 |
| £180,000 to £189,999 | 1 | 2 | - | 2 |
| £190,000 to £199,999 | - | 1 | - | - |
| £200,000 to £209,999 | - | 2 | - | 3 |
| £210,000 to £219,999 | - | 1 | - | 1 |
| £220,000 to £229,000 | - | - | - | - |
| £230,000 to £239,000 | 1 | - | - | - |
| | 25 | 50 | 19 | 54 |

| | 2016/17 | 2015/16 |
|---|----------------|---------|
| Average staff numbers by major category : | Number | Number |
| Academic departments | 1,224 | 1,287 |
| Academic services | 288 | 267 |
| Research grants and contracts | 747 | 761 |
| Administration and central services | 393 | 323 |
| Premises | 167 | 174 |
| Other | 81 | 69 |
| Catering and residences | 14 | 12 |
| | 2,914 | 2,893 |

| | 2016/17 | 2015/16 |
|---|----------------|---------|
| | £000 | £000 |
| Compensation for loss of office payable to senior post-holders: | | |
| Compensation payable recorded within staff costs | - | - |

Notes to the Financial Statements

Year Ended 31 July 2017

| | Notes | Year Ended 31 July 2017 | | Year Ended 31 July 2016 | |
|-------------------------------------|-------|-------------------------|---------------|-------------------------|------------|
| | | Consolidated | University | Consolidated | University |
| | | £000 | £000 | £000 | £000 |
| 8. Other operating expenses | | | | | |
| Academic departments | | 13,027 | 13,026 | 12,651 | 12,651 |
| Academic services | | 7,903 | 7,935 | 7,951 | 7,997 |
| Research grants and contracts | | 27,373 | 27,373 | 26,050 | 26,050 |
| Administration and central services | | 15,764 | 15,695 | 16,667 | 16,578 |
| Premises | | 11,983 | 12,149 | 11,877 | 12,269 |
| Other | | 3,268 | 3,268 | 3,041 | 3,146 |
| Catering and residences | | 8,130 | 8,130 | 7,722 | 7,722 |
| | | 87,448 | 87,576 | 85,959 | 86,413 |

Other operating expenses include:

| | | | |
|---|----|-----|-----|
| External auditors remuneration in respect of audit services | | 64 | 82 |
| External auditors remuneration in respect of non-audit services | | 10 | 0 |
| Internal auditors remuneration | | 52 | 72 |
| Operating lease rentals: | | | |
| Plant and machinery | 25 | - | 7 |
| Office equipment | 25 | 603 | 401 |

| | | Year Ended 31 July 2017 | | Year Ended 31 July 2016 | |
|--|----|-------------------------|--------------|-------------------------|------------|
| | | Consolidated | University | Consolidated | University |
| | | £000 | £000 | £000 | £000 |
| 9. Interest and other finance costs | | | | | |
| Loan interest repayable within 5 years | | 110 | 110 | 133 | 133 |
| Finance lease interest | | 235 | 235 | - | - |
| Net charge on pension schemes | 31 | 2,207 | 2,207 | 2,386 | 2,386 |
| | | 2,552 | 2,552 | 2,519 | 2,519 |

Notes to the Financial Statements

Year Ended 31 July 2017

| | Year Ended 31 July 2017 | | Year Ended 31 July 2016 | |
|---|-------------------------|------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £000 | £000 | £000 | £000 |
| 10. Taxation | | | | |
| Recognised in the statement of comprehensive income: | | | | |
| Current tax | | | | |
| UK corporation tax | - | - | 237 | 237 |
| Total tax expense | - | - | 237 | 237 |

UK corporation tax for the year ended 31 July 2016 relates to the tax deduction on research and development credits from the UK Government for the year ended 31 July 2015.

| | 2017 | 2016 |
|--|----------------|----------------|
| | £000 | £000 |
| 11. Deficit on continuing operations for the year | | |
| University deficit for the year | (837) | (2,003) |
| Deficit generated by associate and subsidiary undertakings | (524) | (755) |
| Deficit on continuing operations for the year | (1,361) | (2,758) |

| | Year ended 31 July 2017 | | Year Ended 31 July 2016 | |
|----------------------------------|-------------------------|--------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £000 | £000 | £000 | £000 |
| 12. Intangible assets | | | | |
| Software | | | | |
| Opening balance | 91 | 91 | - | - |
| Additions in the year | 2,388 | 2,388 | 91 | 91 |
| Amortisation charge for the year | - | - | - | - |
| Closing balance | 2,479 | 2,479 | 91 | 91 |

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

Notes to the Financial Statements

Year Ended 31 July 2017

13. Fixed Assets

| | Land and Buildings | Plant and Machinery | Fixtures, Fittings and Equipment | Assets in the Course of Construction | Total |
|--------------------------|-----------------------|------------------------|--|--|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Consolidated | | | | | |
| Cost or valuation | | | | | |
| At 1 August 2016 | 349,025 | 3,181 | 75,004 | 1,333 | 428,543 |
| Additions | 3,658 | - | 7,121 | 3,539 | 14,318 |
| Transfers | 1,233 | - | - | (1,233) | - |
| Disposals | (160) | - | (14) | - | (174) |
| At 31 July 2017 | 353,756 | 3,181 | 82,111 | 3,639 | 442,687 |
| Depreciation | | | | | |
| At 1 August 2016 | 65,866 | 2,041 | 60,818 | - | 128,725 |
| Charge for the year | 9,546 | 88 | 9,783 | - | 19,417 |
| Disposals | (17) | - | (13) | - | (30) |
| At 31 July 2017 | 75,395 | 2,129 | 70,588 | - | 148,112 |
| Net book value | | | | | |
| At 31 July 2017 | 278,361 | 1,052 | 11,523 | 3,639 | 294,575 |
| At 31 July 2016 | 283,159 | 1,140 | 14,186 | 1,333 | 299,818 |

Notes to the Financial Statements

Year Ended 31 July 2017

13. Fixed Assets - continued

| | Land and Buildings | Plant and Machinery | Fixtures, Fittings and Equipment | Assets in the Course of Construction | Total |
|--------------------------|-----------------------|------------------------|--|--|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| University | | | | | |
| Cost or valuation | | | | | |
| At 1 August 2016 | 348,466 | - | 74,943 | 1,333 | 424,742 |
| Additions | 3,657 | - | 7,111 | 3,539 | 14,307 |
| Transfers | 1,233 | - | - | (1,233) | - |
| Disposals | (160) | - | - | - | (160) |
| At 31 July 2017 | 353,196 | - | 82,054 | 3,639 | 438,889 |
| Depreciation | | | | | |
| At 1 August 2016 | 65,756 | - | 60,773 | - | 126,529 |
| Charge for the year | 9,534 | - | 9,777 | - | 19,311 |
| Disposals | (17) | - | - | - | (17) |
| At 31 July 2017 | 75,273 | - | 70,550 | - | 145,823 |
| Net book value | | | | | |
| At 31 July 2017 | 277,923 | - | 11,504 | 3,639 | 293,066 |
| At 31 July 2016 | 282,710 | - | 14,170 | 1,333 | 298,213 |

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

At 31 July 2017, freehold land and buildings included £8.9m (2016 - £9.0m) in respect of freehold land and is not depreciated.

At 31 July 2017, land and buildings included £22m (2016 - £23m) in respect of leasehold property.

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

Notes to the Financial Statements

Year Ended 31 July 2017

14. Service Concession Arrangements

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

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

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

15. Non-Current Investments

| | Subsidiary companies | Other fixed assets investments | Endowment asset investments | Total |
|---|-------------------------|--------------------------------------|-----------------------------------|----------|
| | £000 | £000 | £000 | £000 |
| Consolidated | | | | |
| At 1 August 2016 | - | 624 | 21,593 | 22,217 |
| Additions | - | 4 | 10,496 | 10,500 |
| Disposals | - | - | (11,188) | (11,188) |
| Increase in market value of investments | - | 21 | 2,420 | 2,441 |
| At 31 July 2017 | - | 649 | 23,321 | 23,970 |
| University | | | | |
| | £000 | £000 | £000 | £000 |
| At 1 August 2016 | - | 624 | 21,593 | 22,217 |
| Additions | - | 4 | 10,496 | 10,500 |
| Disposals | - | - | (11,188) | (11,188) |
| Impairment | - | - | - | - |
| Increase in market value of investments | - | 21 | 2,420 | 2,441 |
| At 31 July 2017 | - | 649 | 23,321 | 23,970 |

Other non-current investments consist of:

| | Consolidated and University |
|--|-----------------------------|
| | £000 |
| Listed investments | - |
| Index linked government stocks and investment trusts | 593 |
| Other | 56 |
| | <u>649</u> |

Listed investments are held at fair value.

Notes to the Financial Statements

Year Ended 31 July 2017

| | Year ended 31 July 2017 | | Year ended 31 July 2016 | |
|--|-------------------------|---------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £000 | £000 | £000 | £000 |
| 16. Trade and other receivables | | | | |
| Amounts falling due within one year: | | | | |
| Trade receivables | 10,034 | 10,029 | 8,985 | 8,722 |
| Prepayments and accrued income | 18,981 | 18,918 | 24,588 | 24,327 |
| Amounts due from subsidiary companies | - | 4,399 | - | 3,508 |
| | 29,015 | 33,346 | 33,573 | 36,557 |

| | Year ended 31 July 2017 | | Year ended 31 July 2016 | |
|--------------------------------------|-------------------------|---------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £000 | £000 | £000 | £000 |
| 17. Cash and cash equivalents | | | | |
| Short term deposits | 31,976 | 31,976 | 26,799 | 26,799 |
| Bank | 14,943 | 11,775 | 8,441 | 5,282 |
| Cash on hand | 54 | 54 | 45 | 45 |
| | 46,973 | 43,805 | 35,285 | 32,126 |

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

Notes to the Financial Statements

Year Ended 31 July 2017

| | Year ended 31 July 2017 | | Year ended 31 July 2016 | |
|--|-------------------------|---------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £000 | £000 | £000 | £000 |
| 18. Creditors : amounts falling due within one year | | | | |
| Unsecured loans | 187 | 187 | 97 | 97 |
| Obligations under finance leases | 646 | 646 | - | - |
| Trade payables | 6,762 | 6,988 | 6,819 | 6,642 |
| Social security and other taxation payable | 2,999 | 2,999 | 2,981 | 2,981 |
| Accruals and deferred income | 73,079 | 72,912 | 70,792 | 70,033 |
| | 83,673 | 83,732 | 80,689 | 79,753 |

Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

| | | | | |
|-------------------------------------|---------------|---------------|--------|--------|
| Research grants received on account | 29,742 | 29,742 | 20,062 | 20,062 |
| Other income received on account | 27,223 | 27,205 | 19,968 | 19,912 |
| | 56,965 | 56,947 | 40,030 | 39,974 |

Notes to the Financial Statements

Year Ended 31 July 2017

| | Year ended 31 July 2017 | | Year ended 31 July 2016 | |
|---|-------------------------|--------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £000 | £000 | £000 | £000 |
| 19. Creditors : amounts falling due after more than one year | | | | |
| Deferred income | - | - | 542 | 542 |
| Unsecured loans | 799 | 799 | 444 | 444 |
| Obligations under finance leases | 1,821 | 1,821 | - | - |
| | 2,620 | 2,620 | 986 | 986 |
| Analysis of secured and unsecured loans: | | | | |
| Due within one year or on demand (Note 17) | 187 | 187 | 97 | 97 |
| Due between one and two years | 187 | 187 | 97 | 97 |
| Due between two and five years | 612 | 612 | 290 | 290 |
| Due in five years or more | - | - | 57 | 57 |
| | 986 | 986 | 541 | 541 |
| Due within one year or on demand | (187) | (187) | (97) | (97) |
| Total secured and unsecured loans | 799 | 799 | 444 | 444 |
| Unsecured loans repayable by 2022 | 986 | 986 | 541 | 541 |
| | 986 | 986 | 541 | 541 |

There are three loans from Salix Limited amounting to £1,229k (2016 £686k) repayable in six-monthly, interest-free instalments until February 2023 to fund energy efficient lighting projects of which £986k (2016 £541k) remains outstanding at 31 July 2017.

The University also has a revolving credit facility of £40 million repayable in 2021. The interest rate is based on LIBOR and at 31 July 2017, the amount drawn down was £nil.

Notes to the Financial Statements

Year Ended 31 July 2017

20. Provisions for liabilities

| | Obligation to fund deficit on USS Pension (Note 31) £000 | Pension enhancement on termination £000 | Pension scheme provision under FRS102 (Note 31) £000 | Total Pensions Provisions £000 | Other £000 | Associated Company £000 | Total Associated and Other £000 |
|---------------------------------------|---|---|--|---|---------------|-------------------------------|--|
| Consolidated | | | | | | | |
| At 1 August 2016 | 24,755 | 5,967 | 75,835 | 106,557 | 4,757 | 5,013 | 9,770 |
| Utilised in year | (14,312) | (460) | (4,391) | (19,163) | (424) | - | (424) |
| Additions in 2016/17 | 13,468 | 215 | (3,800) | 9,883 | 1,347 | 85 | 1,432 |
| Unused amounts reversed in 2016/17 | - | 328 | - | 328 | (60) | - | (60) |
| At 31 July 2017 | 23,911 | 6,050 | 67,644 | 97,605 | 5,620 | 5,098 | 10,718 |
| University | | | | | | | |
| At 1 August 2016 | 24,755 | 5,967 | 75,835 | 106,557 | 4,757 | - | 4,757 |
| Utilised in year | (14,312) | (460) | (4,391) | (19,163) | (424) | - | (424) |
| Additions in 2016/17 | 13,468 | 215 | (3,800) | 9,883 | 1,347 | - | 1,347 |
| Unused amounts reversed in 2016/17 | - | 328 | - | 328 | (60) | - | (60) |
| At 31 July 2017 | 23,911 | 6,050 | 67,644 | 97,605 | 5,620 | - | 5,620 |

USS deficit

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

Pension enhancement on termination

This reflects the University's commitment to pay pension benefits to existing and former employees where a separate scheme is not in place. A valuation of the existing pension provision at 31 July 2017 was carried out by the University's appointed independent actuary, Xafinity Consulting.

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

| Consolidated | |
|---------------------|-------------|
| Discount rate | 0.39 |
| Inflation | 2.30 |

Notes to the Financial Statements

Year Ended 31 July 2017

20. Provisions for liabilities - continued

UODS deficit

The obligation to fund the deficit on the University of Dundee's Superannuation Scheme (UODS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. The deficit within the scheme at 31 July 2017 was assessed by the University's appointed independent actuary, Xafinity Consulting.

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

Other provisions

Other provisions include amounts relating to:

| | £000 |
|----------------------------|--------------|
| Demolition costs | 878 |
| Research grants | 3,025 |
| VAT - capital goods scheme | 959 |
| Other | 758 |
| | 5,620 |

The exact amount and timing of these outflows is uncertain.

Associated Company

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

| | |
|----------------------------------|---------------------|
| Proportion of voting rights held | 33.3% |
| Nature of business | Residences |
| Date of financial information | 31 July 2017 |

| | DSV Limited | University share of DSV Limited |
|--------------------------------|--------------------|--|
| | £000 | £000 |
| Total funds | (15,299) | (5,100) |
| Deficit for the year | (1,830) | (610) |
| Total income | 6,640 | 2,213 |
| Total fixed assets | 33,192 | 11,064 |
| Total current assets | 10,647 | 3,549 |
| Liabilities less than one year | (1,124) | (375) |
| Liabilities more than one year | (58,013) | (19,338) |

Note the 2016/17 DSV deficit recognised in the University accounts is 85k to reflect adjustments to the 2015/16 DSV accounts after the University accounts were finalised.

Notes to the Financial Statements

Year Ended 31 July 2017

21. Endowment Reserves

Restricted net assets relating to endowments are as follows:

| | Restricted permanent endowments | Unrestricted permanent endowments | Expendable endowments | 2017 Total | 2016 Total |
|--|---------------------------------|-----------------------------------|-----------------------|------------|------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balances at 1 August | | | | | |
| Capital | 14,647 | 5,875 | 3,780 | 24,302 | 23,491 |
| Accumulated income | 1,492 | - | - | 1,492 | 1,460 |
| | 16,139 | 5,875 | 3,780 | 25,794 | 24,951 |
| New endowments | 220 | - | 76 | 296 | 358 |
| Investment income | 556 | 223 | - | 779 | 677 |
| Expenditure | (513) | (135) | (377) | (1,025) | (986) |
| Increase in market value of investments | 1,727 | 693 | - | 2,420 | 794 |
| | | | | | |
| Total endowment comprehensive income for the year | 1,990 | 781 | (301) | 2,470 | 843 |
| | | | | | |
| At 31 July | 18,129 | 6,656 | 3,479 | 28,264 | 25,794 |
| | | | | | |
| Represented by: | | | | | |
| Capital | 16,595 | 6,656 | 3,479 | 26,730 | 24,302 |
| Accumulated income | 1,534 | - | - | 1,534 | 1,492 |
| | 18,129 | 6,656 | 3,479 | 28,264 | 25,794 |
| | | | | | |
| Analysis by type of purpose: | | | | | |
| Lectureships | 6,057 | - | - | 6,057 | 5,418 |
| Scholarships and bursaries | 8,010 | 3,426 | 137 | 11,573 | 10,496 |
| Research support | 598 | - | 2,791 | 3,389 | 3,656 |
| Prize funds | 2,841 | - | 61 | 2,902 | 2,432 |
| General | 623 | 3,230 | 490 | 4,343 | 3,792 |
| | 18,129 | 6,656 | 3,479 | 28,264 | 25,794 |
| | | | | | |
| Analysis by asset | | | | | |
| Current and non-current asset investments | | | | 23,321 | 21,594 |
| Cash and cash equivalents | | | | 4,943 | 4,200 |
| | | | | 28,264 | 25,794 |

Notes to the Financial Statements

Year Ended 31 July 2017

22. Restricted Reserves

Reserves with restrictions are as follows:

| | Unspent capital grants | Donations | 2017 Total | 2016 Total |
|---|---------------------------|--------------|---------------|---------------|
| | £000 | £000 | £000 | £000 |
| Balances at 1 August | 121 | 2,792 | 2,913 | 2,252 |
| New grants | - | - | - | - |
| New donations | - | 240 | 240 | 653 |
| Other income | - | 136 | 136 | 257 |
| Capital grants utilised | (69) | - | (69) | (3) |
| Expenditure | - | (286) | (286) | (246) |
| Total restricted comprehensive income for the year | (69) | 90 | 21 | 661 |
| At 31 July | 52 | 2,882 | 2,934 | 2,913 |

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

| | | |
|----------------------------|--------------|--------------|
| Lectureships | - | - |
| Scholarships and bursaries | 11 | - |
| Research support | - | - |
| Prize funds | - | - |
| General | 2,871 | 2,792 |
| | 2,882 | 2,792 |

23. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2017:

| | 31 July 2017 | | 31 July 2016 | |
|-----------------------------------|---------------|---------------|--------------|--------------|
| | Consolidated | University | Consolidated | University |
| | £000 | £000 | £000 | £000 |
| Commitments contracted for | 7,178 | 7,178 | 1,098 | 1,098 |
| Authorised but not contracted for | 5,775 | 5,775 | 3,500 | 3,500 |
| | 12,953 | 12,953 | 4,598 | 4,598 |

Notes to the Financial Statements

Year Ended 31 July 2017

24. Contingent liabilities

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

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

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

25. Lease obligations

Total rentals payable under operating leases:

| | 31 July 2017 | | | 31 July 2016 |
|--|------------------------|---------------------|-------|--------------|
| | Plant and Machinery | Office Equipment | Total | Total |
| | £000 | £000 | £000 | £000 |
| Payable during the year | - | 603 | 603 | 408 |
| Future minimum lease payments due: | | | | |
| Not later than 1 year | - | 603 | 603 | 408 |
| Later than 1 year and not later than 5 years | - | - | - | - |
| Later than 5 years | - | - | - | - |
| Total lease payments due | - | 603 | 603 | 408 |

26. Events after the reporting period

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

Notes to the Financial Statements

Year Ended 31 July 2017

27. Bursaries and other student support funds

| | 2016/17 Childcare £000 | 2016/17 Discretionary £000 | 2016/17 Total £000 | 2015/16 Total £000 |
|-------------------------------------|------------------------------|----------------------------------|--------------------------|--------------------------|
| Balance at b/fwd | - | - | - | - |
| Refund to Scottish Funding Council | - | - | - | - |
| Allocation received in the year | 313 | 613 | 926 | 865 |
| Expenditure | (323) | (604) | (927) | (867) |
| University contribution to funds | - | 1 | 1 | 2 |
| Virements | 10 | (10) | - | - |
| Balance b/fwd | - | - | - | - |
| Retained by University for students | - | - | - | - |

Scottish Funding Council grants are available solely for students: the University acts only as paying agents. The grants and related disbursements are therefore excluded from the statement of comprehensive income.

28. Disclosure of related party transactions

Members of University Court

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

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

The consolidated financial statements consolidate the financial statements of the subsidiary companies listed in Note 29. Transactions and balances between the Group entities have been eliminated on consolidation and have not been disclosed.

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

| | 2017 £000 | 2016 £000 |
|--------------------------------|--------------|--------------|
| Due to Dundee Student Villages | (15) | (9) |

In accordance with the agreement with Dundee Student Villages, the University transferred £8.2m of student rental income to Sanctuary Housing Association.

Conference and room hire amounting to £68k was purchased from West Park Centre Limited, a trading subsidiary of Dundee Student Villages. Sales to Dundee Student Villages in respect of gas safety testing and utilities amounted to £40k.

Notes to the Financial Statements

Year Ended 31 July 2017

29. Subsidiary undertakings

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

| Company | Purpose | Number of Shares | Percentage Owned |
|--|---|----------------------|------------------|
| Dundee University Utility Supply Company Limited SC124982 | To generate heat and power solely for the University. | 2 | 100% |
| Dundee University Project Management Limited SC157081 | To manage professional fees on major capital build projects. | 1 | 100% |
| University of Dundee Nursery Limited SC230105 | To promote the care and education of children of staff and students of the University. | Limited by Guarantee | 100% |
| Dundee University Press Limited SC243332 | The company is no longer trading. Formerly, it operated as a specialist publishing company, producing academic and specialist titles for student, library, research and other professional markets. | 150,000 | 70.1% |
| Dundee University Incubator Limited SC176751 | To support new ventures by managing incubator units. | 147,000 | 100% |

AMCET Limited SC203791, a wholly owned subsidiary company, was dissolved on 18 July 2017.

Notes to the Financial Statements

Year Ended 31 July 2017

30. Connected charitable institutions

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

The movement in the year to 31 July 2017 on the total funds of the University of Dundee Nursery Limited, as reported in its financial statements, was as follows:

| | At 1 August 2016 | Income | Expenditure | Change in market value | At 31 July 2017 |
|--|---------------------|--------|-------------|---------------------------|--------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Consolidated (see Note 29) | | | | | |
| University of Dundee Nursery Limited (SC032969) | 152 | 491 | (528) | - | 115 |

The movement in the year to 31 July 2017 on the total funds of the Centenary Trust of Duncan of Jordanstone College of Art, as reported in its financial statements, was as follows:

| | At 1 August 2016 | Income | Expenditure | Change in market value | At 31 July 2017 |
|--|---------------------|--------|-------------|---------------------------|--------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Not consolidated | | | | | |
| Centenary Trust of Duncan of Jordanstone College of Art (SC020617) | 120 | 1 | - | - | 121 |

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

Notes to the Financial Statements

Year Ended 31 July 2017

31. Pension Schemes

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

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

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

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

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

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

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

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

| | Year Ended | Year Ended |
|------------------------------------|---------------------|---------------|
| | 31 July 2017 | 31 July 2016 |
| | Note | £000 |
| | | £000 |
| USS | 13,045 | 12,798 |
| UODS including FRS 102 adjustments | 5,160 | 3,808 |
| Other pension schemes | 728 | 758 |
| | 7 | 17,364 |

Notes to the Financial Statements

Year Ended 31 July 2017

31. Pension Schemes - continued

1. Universities Superannuation Scheme (USS)

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

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

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

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

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

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

For years 2016/17 to 2030/31

| | |
|---|-------------|
| Pensionable payroll growth assumptions | 2% - 4% |
| Staff changes | (1)% - 0% |
| Effective deficit contribution rate | 1.3% - 2.5% |
| Discount rate for high quality corporate bond | 1.85% |

The amounts recognised in comprehensive income are:

| | Year Ended 31 July 2017 | Year Ended 31 July 2016 |
|--|----------------------------|----------------------------|
| | £000 | £000 |
| Staff costs: | | |
| Employer contribution allocated to scheme deficit | (1,723) | (1,022) |
| Difference between expected and actual contributions | 456 | 720 |
| | <u>(1,267)</u> | <u>(302)</u> |
| Employer contributions payable | 14,312 | 13,100 |
| | <u>13,045</u> | <u>12,798</u> |
| Net interest expense: | | |
| Unwinding of discount rate | 423 | 720 |
| | <u>423</u> | <u>720</u> |

Movement in provision (Note 20):

| | | |
|---|---------------|---------------|
| Utilised in year: | | |
| Employer contributions payable | (14,312) | (13,100) |
| Additions in 2016/17: | | |
| Employer contributions adjusted for FRS 102 | 13,045 | 12,798 |
| Unwinding of discount rate | 423 | 720 |
| | <u>13,468</u> | <u>13,518</u> |

Notes to the Financial Statements

Year Ended 31 July 2017

31. Pension Schemes - continued

1. Universities Superannuation Scheme (USS) - continued

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

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

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

| | 2017 | 2016 |
|---------------------------|-------------|-------------|
| Discount rate | 2.6% | 3.6% |
| Pensionable salary growth | n/a | n/a |
| Pension increases (CPI) | 2.4% | 2.2% |

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

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

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

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

| | 2017 | 2016 |
|-----------------------------------|-------------|-------------|
| Males currently aged 65 (years) | 24.4 | 24.3 |
| Females currently aged 65 (years) | 26.6 | 26.5 |
| Males currently aged 45 (years) | 26.5 | 26.4 |
| Females currently aged 45 (years) | 29.0 | 28.8 |

| | 2017 | 2016 |
|------------------------------|-------------|-------------|
| Scheme assets | £60.0bn | £49.8bn |
| Total scheme liabilities | £77.5bn | £58.3bn |
| FRS 102 total scheme deficit | £17.5bn | £8.5bn |
| FRS 102 total funding level | 77% | 85% |

Notes to the Financial Statements

Year Ended 31 July 2017

31. Pension Schemes - continued

2. University of Dundee Superannuation Scheme (UODS)

The University sponsors University of Dundee Superannuation & Life Assurance Scheme, a funded defined benefit pension scheme in the UK. The scheme is set up on a tax relieved basis as a separate trust independent of the University and is supervised by independent trustees. The Trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that scheme assets are appropriately invested.

Active members of the scheme pay contributions at the rate of 7.75% of salary and the University pays the balance of the cost as determined by regular actuarial valuations. The University currently pays 13.8% of salary in respect of future accrual, and 8.3% of salary to fund the deficit disclosed at the last valuation as at 31 July 2014. The Trustees are required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates.

A formal actuarial valuation was carried out as at 31 July 2014. The results of that valuation have been projected to 31 July 2017. The figures in the following disclosure were measured using the Projected Unit Method.

(Retirement Benefits) Disclosure for the accounting period ending 31 July 2017.

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

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

| | Year Ended 31 July 2017 | Year Ended 31 July 2016 |
|-------------------------------|----------------------------|----------------------------|
| | £000 | £000 |
| Defined benefit obligation | (168,398) | (173,014) |
| Fair value of plan assets | 100,754 | 97,179 |
| Net defined benefit liability | (67,644) | (75,835) |

The amounts recognised in comprehensive income are:

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

| | Year Ended 31 July 2017 | Year Ended 31 July 2016 |
|---|----------------------------|----------------------------|
| | £000 | £000 |
| Service cost: | | |
| Current service cost (net of employee contributions) | 5,160 | 3,808 |
| Net interest expense | 1,784 | 1,666 |
| Charge recognised in profit or loss | 6,944 | 5,474 |
| Remeasurements of the net liability: | | |
| Return on scheme assets (excluding amount included in net interest expense) | (170) | 1,549 |
| Actuarial loss | (10,574) | 25,222 |
| Charge recorded in other comprehensive income | (10,744) | 26,771 |
| Total defined benefit cost | (3,800) | 32,245 |

Notes to the Financial Statements

Year Ended 31 July 2017

31. Pension Schemes - continued

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

| | At 31 July 2017 | At 31 July 2016 |
|---|--------------------|--------------------|
| The principal actuarial assumptions used were: | | |
| Liability discount rate | 2.70% | 2.34% |
| Inflation assumption - RPI | 3.30% | 3.00% |
| Inflation assumption - CPI | 2.30% | 2.00% |
| Rate of increase in salaries | 3.30% | 3.00% |
| Revaluation of deferred pensions: | | |
| Benefits accrued prior to 1 August 2011 | 2.30% | 2.00% |
| Benefits accrued after 1 August 2011 | 2.30% | 2.00% |
| Increases for pensions in payment: | | |
| Benefits accrued prior to 6 April 1997 | 3.00% | 3.00% |
| Benefits accrued after 5 April 1997 | 3.60% | 3.50% |
| Benefits accrued after 1 August 2009 | 3.20% | 3.00% |
| Benefits accrued after 1 August 2011 | 2.30% | 2.00% |
| Expected age at death of current pensioner at age 65: | | |
| Male aged 65 at year end | 86.6 | 85.0 |
| Female aged 65 at year end | 88.4 | 85.0 |
| Expected age at death of future pensioner at age 65: | | |
| Male aged 45 at year end | 87.1 | 86.7 |
| Female aged 45 at year end | 89.1 | 86.7 |

Notes to the Financial Statements

Year Ended 31 July 2017

31. Pension Schemes - continued

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

| Reconciliation of scheme assets and liabilities | Assets | Liabilities | Total |
|--|---------|-------------|----------|
| | £000 | £000 | £000 |
| At start of period | 97,179 | (173,014) | (75,835) |
| Benefits paid | (4,813) | 4,813 | - |
| Current service cost | - | (5,160) | (5,160) |
| Contributions from the employer | 4,391 | - | 4,391 |
| Contributions from the employees | 1,540 | (1,540) | - |
| Interest income / (expense) | 2,287 | (4,071) | (1,784) |
| Return on assets (excluding amount included in net interest expense) | 170 | - | 170 |
| Actuarial loss | - | 10,574 | 10,574 |
| At end of period | 100,754 | (168,398) | (67,644) |

The return on plan assets was:

| | Year Ended 31 July 2017 | Year Ended 31 July 2016 |
|---|----------------------------|----------------------------|
| | £000 | £000 |
| Interest income | 2,287 | 3,305 |
| Return on plan assets (excluding amount included in net interest expense) | 170 | (1,549) |
| Total return on plan assets | 2,457 | 1,756 |

The major categories of scheme assets are as follows:

| | Year Ended 31 July 2017 | Year Ended 31 July 2016 |
|------------------------------|----------------------------|----------------------------|
| | £000 | £000 |
| UK Equities | 48,396 | 66,988 |
| Corporates | 1,122 | 5,681 |
| Gilts | 3,140 | 22,357 |
| Index Linked | 19,025 | - |
| Property | 2,152 | - |
| Annuities | 486 | 534 |
| Other | 19,177 | - |
| Cash | 7,256 | 1,619 |
| Total market value of assets | 100,754 | 97,179 |

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

Notes to the Financial Statements

Year Ended 31 July 2017

32. Accounting estimates and judgements

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

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

The liability for the UODS scheme is shown in Note 31. The latest valuation of the scheme was carried out with effect from 31 July 2014 and the liabilities for these accounting disclosures have been calculated by rolling forward the valuation liabilities from that valuation date to 31 July 2017 by the actuary, Xafinity Limited, using payroll and benefit information provided by the University. The resulting liabilities have then been adjusted to reflect the different assumptions used. The accounting disclosures are therefore heavily dependent on the results of the 31 July 2014 funding valuation. This approach is not as accurate as if the actuary had used actual census information as at 31 July 2017, but it is appropriate for the purpose of these disclosures and is in accordance with the provisions of FRS 102. Material changes to the membership profile since the 31 July 2014 funding valuation could result in the approximate approach producing materially inaccurate figures for the purpose of FRS 102.

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

The key actuarial assumptions as at 31 July 2017 are set out in Note 31.

b) Pensions - Universities Superannuation Scheme (USS)

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

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

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

The single discount rate used based on a constant salary roll is 1.85%.

c) Provisions and contingent liabilities

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

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



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