



University of Dundee

Reports and
Financial Statements
2017/18

2017/18

A high performance community...

transforming lives
locally and globally

Contents

Statement by the Chair of Court	04
Principal's Report	07
Strategy	10
Financial Review	14
Corporate Governance	21
Independent Auditor's Report	30
Financial Statements	33
Consolidated and University Statement of Income and Expenditure	34
Consolidated and University Statement of Changes in Reserves	35
Consolidated and University Balance Sheets	36
Consolidated Cash Flows	38
Statement of Principal Accounting Policies	39
Notes to the Financial Statements	43

Statement by the Chair of Court



Every new year brings a sense of renewal but in this one in particular we have begun a new chapter for the University. The past twelve months have seen us appoint new people to the two of the most senior positions of the University, our Chancellor and Principal.

Our Chancellor is not generally involved in the day to day activities of the University but is our figurehead. Lord Patel, our immediate past Chancellor, was a role model for how we must value people. In September we welcomed Dame Jocelyn Bell Burnell as our new Chancellor. In many ways Jocelyn is the epitome of what the University of Dundee stands for and I am very excited about the influence she will have.

The University is a strong community. This was never more evident than during the consultations which I held on what qualities we should look for in our new Principal. Across schools and directorates, across our three campuses, and across the student body there was a strong consensus that we should seek an outstanding, values-led and inspirational leader. And so we will shortly welcome Professor Andrew Atherton as our new Principal. Before, during and since the interview process Andrew has impressed everyone with his warmth and approachability. I have no doubt that he is the inspiring leader we need to build on the outstanding work of Professor Sir Pete Downes.

Pete Downes' term at the helm of the University of Dundee has seen it go from strength to strength. He is passionate about the University, its place in the community, its ability to give people from all backgrounds a transformative experience which will last throughout their lives. He has lived and breathed the university and its values for over 20 years, the last 10 as our Principal.

It was Pete who urged us to seek to become Scotland's leading university and it has been Pete who has led the inclusive creation of our strategy for the next five years, one which will take us still closer to achieving that goal. He has championed inclusion and has done much to develop a progressive approach to the growing issues of mental health that are evident in student communities across the UK. His final hurrah was another herculean cycling, rowing and running challenge. As he approaches this particular finishing line he is clearly not slowing down!

It has been my pleasure to work with Pete over the last five years. I shall miss hearing his boundless enthusiasm for all the wonderful things that go on in the university. Pete and his wife Elizabeth deserve a long and fulfilling retirement. They will forever be as much in our hearts as I know that we will be in theirs.

As we move into this new chapter, we have many positives to further build on, but also continued challenges to overcome.

The dispute around the Universities Superannuation Scheme (USS), which led to industrial action, has been a stressful experience for the whole university community. The concerns of staff in this matter are understandable. We need a sustainable solution to the pension issue, which works for staff and the University.

More positively, we continue to be placed among the best institutions in the United Kingdom for student satisfaction and graduate employability. At a time when some people are questioning the value of a university degree we remain proud of the experience we can offer our students and the platform it gives them for progress in their life and careers.

Our student community is becoming ever more diverse as we welcome domestic students from a wide range of backgrounds and international students in ever greater numbers and from even more countries. Our goal remains to be the most inclusive and welcoming university for both students and staff.

Our growing reputation is important not only in attracting students and staff but also in attracting other institutions into partnership with us so that, together, we can achieve more than either of us can achieve independently. Our partnership with the National University of Singapore, one of Asia's most eminent universities, was a particular highlight of last year.

I am very excited at what lies ahead in the next chapter for the University of Dundee.

A blue ink handwritten signature, appearing to read 'Ronald Bowie', written in a cursive style. Below the signature is a horizontal line.

Ronald Bowie
Chair of Court



Teaching Gold

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





A great student experience

Dundee is consistently rated as one of the best places in the UK to be a student. In the National Student Survey 2018 we ranked joint 8th in the UK for student experience, and joint 2nd within Scotland. This is the third successive year in which we have achieved a Top 10 result. The University recorded overall satisfaction of 88 per cent, well above the sector and Scottish averages.

National Student Survey 2018

Principal's Report

This is the last annual report of the University to which I will be making a direct contribution as I retire as Principal and Vice-Chancellor at the end of 2018.

That was a personal decision which inevitably has led to a good deal of reflection on the almost ten years in which I have had the enormous privilege of holding this office. Much, of course, has changed.

I recall some of the Court meetings and other debates relatively early in my tenure where there was much discussion about the need to identify what set the University apart from other institutions, our USP if you like. Through the development of our long-term strategy, and in widespread consultation with our staff and students, that has become much more clearly defined.

We have become a prime example of the 'civic university', one which creates impact through its activities and is an economic, social and cultural powerhouse of our city and the surrounding region. This has been driven by the One Dundee ethos of a University community that works together to achieve extraordinary things.

We see that impact in many ways and this is important because we have become distinctive through our achievements across teaching, research, and our impact in the world. In any analysis, we are one of only a handful of UK universities who have been able to evidence research strength allied to Gold-standard teaching and a top quality student experience. Added to that we are also one of the world's most innovative universities, developing entrepreneurial graduates and partnering with industry in new and exciting ways.

We further set ourselves apart through our excellence in widening participation in higher education, in graduate employability, and in the impact on our surrounding environment. A stunning example of the latter stands in the shape of V&A Dundee, a project which originated at the University and has now opened to deserved fanfare.

We also see it in the Tay Cities Deal, where we have created the opportunity to consolidate and build on our considerable achievements in the biomedical and forensic science areas, and are developing critical partnerships that will bring scientific and economic benefit to the region.

All of this stands us in good stead to face the many challenges ahead for the UK's higher education sector. At the forefront of these is Brexit and the continuing uncertainty of the shape it will take, which has remained a concern primarily in terms

of access to, and retention of, talented staff and students. That could affect us in many ways across our agenda. It may also create new opportunities, but the point is that the lack of clarity in the meantime is not helpful for anyone.

We are actively trying to negate the possible impacts by engaging in projects where our involvement is not dependent on our EU status, or lack of it. One example is our engagement with CERN and the CMS Collaboration, which has allowed our researchers and students to play a part in shaping the next generation of the world's largest science experiment.

My time as Principal has coincided with a time of prolonged austerity in the public purse. This year there has been a reasonably positive spending review in Scotland as far as higher education is concerned, but that is only in the context of recent circumstances. When measured against where we were ten years ago, there has been a 20% reduction in core funding, which continues to make our objective - of achieving long term sustainable growth through the ability to make significant investments in our future competitiveness - very challenging.

This is one reason we have invested strongly in our internationalisation agenda, bringing students from around the globe to Dundee and developing strong partnerships with prestigious universities overseas. Aside from finances, our international reach is vital to our long-term strategy, enriching life and culture on campus by creating a thriving, diverse community and opening new possibilities for collaboration and research. Through these partnerships our Scottish students will have increasing opportunities to spend part of their time studying abroad, making the Dundee 'offer' even more compelling.

Whilst many of the challenges are broadly familiar, there are new and exciting opportunities which the University is well placed to grasp. Six years ago we set out on a 25-year journey to become Scotland's leading university. This was, by design, an outrageous goal. With the increased clarity about what makes us distinctive, and the confidence that brings, it no longer feels quite so far fetched.



A handwritten signature in black ink that reads "C. Pete Downes". The signature is fluid and cursive, with a long horizontal stroke at the end.

Professor Sir Pete Downes
Principal and Vice-Chancellor



**Professor Andrew Atherton (above)
and Dame Jocelyn Bell Burnell (right)**



Our new Principal

The University announced in July 2018 that Professor Andrew Atherton had been appointed as our new Principal and Vice-Chancellor. Professor Atherton will take up position on January 1 2019.

Professor Atherton comes to Dundee from the University of Lancaster, where he was Deputy Vice-Chancellor and Professor of Enterprise. He is an expert in SME policy and China. At Lancaster he was responsible to the Vice-Chancellor for the overall academic development of the University, and oversees annual planning and major institutional projects.

Professor Atherton said, "I am excited and honoured to be appointed as the University of Dundee's next Principal. Dundee is establishing itself as one of the UK's best universities, based on an outstanding student experience and research that genuinely transforms and improves people's lives".

"It is a strong community, with committed and outstanding staff who make the University the success it is and will be in the future. I very much look forward to leading Dundee in its next stage of development."

Professor Atherton joined Lancaster in January 2013 from Lincoln University where he was Senior Deputy Vice-Chancellor and led on major university initiatives. This included establishing the first new School of Engineering in the UK for more than 20 years, in partnership with Siemens.

Previously he worked at Durham University from 1995 to 2002, latterly as Head of Department and before that as Director of the Policy Research Unit within the Small Business Centre, Durham University Business School.

He has advised national and regional government as well as major bilateral and multilateral agencies on enterprise and small business policy development and implementation, as well as leading major projects to establish enterprise development centres in Central and Eastern Europe and China. He is a Mandarin Chinese speaker.

Our new Chancellor

The University appointed Dame Jocelyn Bell Burnell as its new Chancellor at a ceremony in September 2018.

The role of Chancellor is the most senior in the University and involves acting as its ceremonial head, presiding over Academic Ceremonies and acting as President of the Graduates' Association.

Dame Jocelyn is an astrophysicist, best known for her discovery of pulsars – rotating neutron stars that appear to 'pulse' since the beam of light they emit can only be seen when it faces the Earth. Her observation, made together with her supervisor, Antony Hewish, is considered to be one of the greatest astronomical discoveries of the twentieth century.

She has been a role model and champion for young students and particularly for women in science. She is the first female President of the Royal Society of Edinburgh.

She was awarded an honorary degree by the University in 2017. She succeeds Lord Naren Patel and is the fifth Chancellor of the University over its 50-year history, following HM The Queen Mother (1967-77), Lord Dalhousie (1977-92), Sir James Black (1992-06) and Lord Naren Patel (2006-17).





Strategy to 2022

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

Our core purpose

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

Our values

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

Our vision

We will be recognised as Scotland's leading university.

Our community

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

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

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

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

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

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

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

Support and acceptance

“It is incredible to see the community culture that is infused in the University of Dundee. A huge focus of this being reassurance that students have support and acceptance of uniqueness. DUSA and the University collaborate constantly to support our students on matters of welfare, academics and student experience.”

Sofia Skevofylaka
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, Estates and Campus Services, Library and Learning Centre, Finance and Procurement, 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 and Design	122	1,397	1,258	8.5
School of Dentistry	82	397	366	7.1
School of Education and Social Work	106	1,955	1,302	5.8
School of Humanities	65	1,687	1,232	4.5
School of Life Sciences	653	849	825	53.7
School of Medicine	515	3,233	1,585	42.4
School of Nursing and Health Sciences	95	2,372	1,473	6.4
School of Science and Engineering	190	1,750	1,691	14.2
School of Social Sciences	191	3,529	3,102	14.7
Professional Services	917	584	234	72.3
Other	-	-	-	26.1
	2,936	17,753	13,068	255.7

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

Student Partnership

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

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

Financial Review

Results for the year

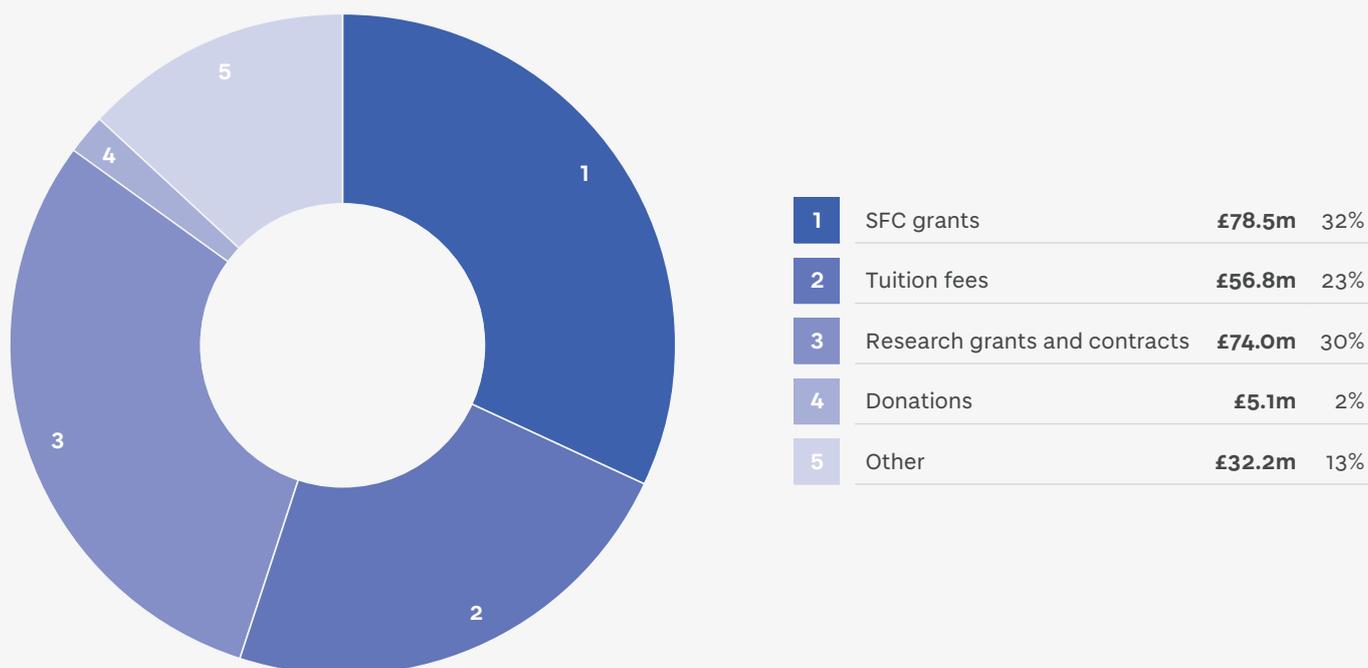
The Group reports net assets of £209.7m at 31 July 2018, an increase of £7.0m in the year. Net cash inflow from operating activities reduced by £9.8m to £5.1m, mainly driven by an increased deficit and less favourable working capital movements compared to the previous year. This led to a reduction in the cash balance to £40.5m (2017: £47.0m). The Group did not take any additional bank loan finance during the year and continues to hold minimal levels of long-term loans relative to the majority of the Higher Education sector.

The Group reported a declining operating performance, with the deficit before other gains and share of operating loss in associate increasing by £1.6m to £9.1m (2017: £7.5m). Total comprehensive income for the year decreased by £2.3m to £7.0m.

The year saw risks to income, previously anticipated in the budget, crystallise, particularly in relation to Scottish Funding Council and research funding due to challenges around the political and economic climate with levels of income marginally reduced. These reductions were more than offset by increased tuition fee income; however, total expenditure continues to rise at a faster rate.

Income

Total income increased by £2.3m to £246.6m.



This increase includes £0.9m relating to the final receipt of Research and Development Expenditure Credit (RDEC), a tax relief that is no longer available to universities. The underlying increase in income before RDEC is £1.3m, which represents a small growth of 0.5%; reflecting the challenging conditions the University has faced to attempt to grow income.

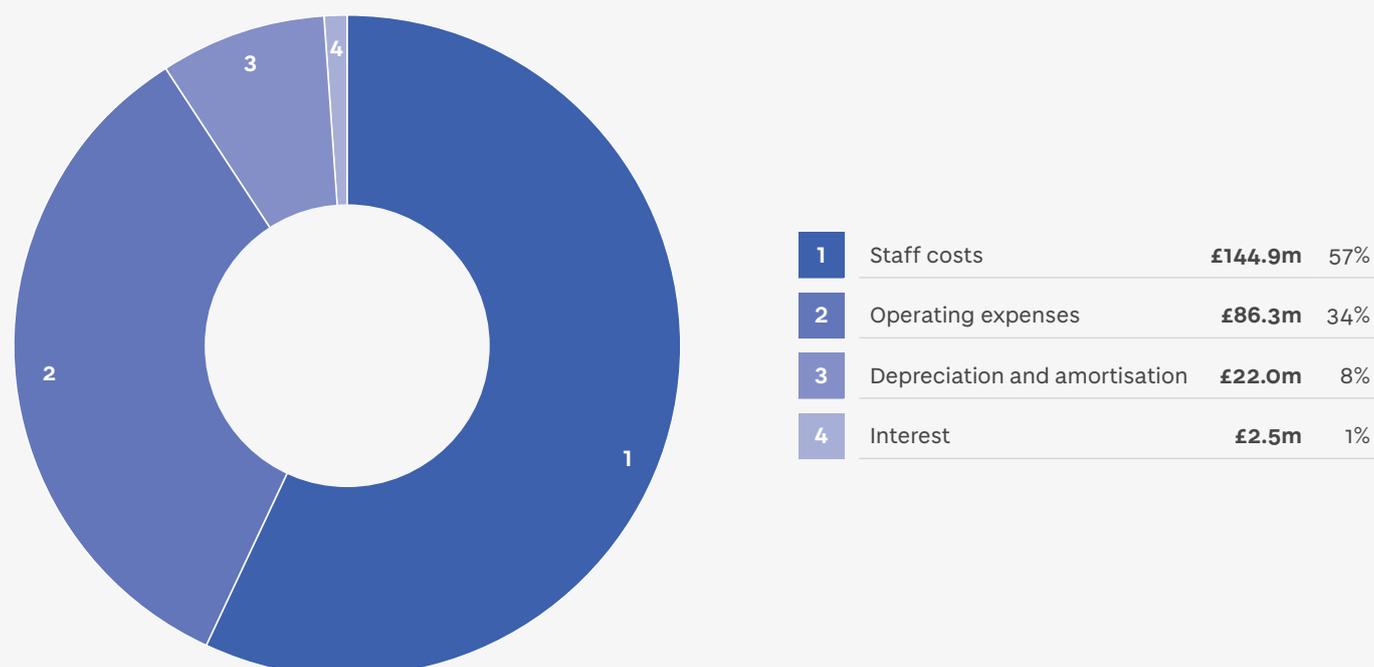
Total grant income from the Scottish Funding Council reduced by 3.8% to £78.5m. This was in line with budget and almost entirely attributable to reductions related to specific items of capital and strategic funding, with core funding being broadly stable.

Tuition fee income has grown by 10.7%, increasing by £5.5m to £56.8m. Increasing tuition fee income, both in absolute terms and as a proportion of the University's income is one of the essential foundations of its future financial sustainability. It is a positive indication that the rate of growth has continued for the third successive year, in a challenging market characterized by strong competition for international students and for non-Scottish students from the rest of the UK. This performance is being primarily driven by overseas tuition fees, where the University has been able to apply high price increases to match market pricing and drive growth in volume, with total overseas tuition fees up by 14.2%. The University's budget incorporates further growth over the next three years and it is monitoring closely potential external risks and, where appropriate, will seek to implement mitigating strategies.

Research income has reduced by 2.8%, decreasing by £2.1m to £74.0m. Both research income and overhead recovery were ahead of budgetary expectations for the year and activity levels, in both grant applications and awards made, were stable year on year. The movement in 2017/18 is attributable to the timing of the commencement and completion of a small number of high-value grants, which given their nature can have a disproportionate impact on year on year comparatives. The University continues to be one of the most research-intensive institutions in the UK, reflecting the quality of its research in many areas.

Expenditure

Total expenditure increased by 1.5%, an increase of £3.8m to £255.7m (2017: £251.9m).



Staff costs have risen by 1.7%, increasing by £2.4m to £144.9m. Staff numbers remained broadly stable during the year, with an increase of only twenty-two to 2,936 FTE. Expenditure increased due to incremental progression by staff within the pay scale and 1.7% cost of living pay award. Staff costs as a percentage of total income increased to 58.7% (2017 58.3%) as staff costs have increased at a faster rate than income.

Other operating expenses decreased by 1.3%, to £86.3m.

Depreciation and amortisation increased by 13.5% to £22.0m. This includes an impairment of £4.2m as described in Note 12.

Other gains and losses

The Group made a gain on its endowment investments of £1.3m in the year. These investments are managed on its behalf by external fund managers. After two years of significant gains from realizing value from intellectual property developed by the School of Life Sciences, the University received no income from this source in the year (2017: £3.4m).

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. This year the University recognizes a credit of £15.1m, compared to £10.7m in the previous year. This figure is not a cash item but represents short-term movements in the long-term pension liability.



V&A Dundee

The idea to bring the V&A to Dundee originated at the University and we have helped bring the project to reality as one of the founding partners in V&A Dundee. The museum opened in September 2018.

Net assets

At 31 July 2018 the University net asset position was stable, with net assets of £209.7m, an increase of £7.0m on the prior year.

Capital expenditure of £17.6m included innovative new space within the Library to meet student needs, enhancing other teaching spaces, refurbishing parts of the main administration building and upgrading IT infrastructure.

Net current liabilities increased by £7.8m during the year to £15.3m. This movement is primarily attributable to a reduction in cash and cash equivalents, along with a reduction in trade receivables due to the success of enhanced credit control processes that were implemented during the year.

The pension scheme liability relates primarily to the USS and UODS pension arrangements, which reduced this year from £97.6m to £83.3m based on actuarial advice.

Cashflow and Treasury

Cash and cash equivalents reduced by £6.5m over the year to stand at £40.5m. Net cash inflow from operating activities was low at £5.1m, £9.8m lower than the previous year.

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

Endowment assets of £25.2m continue to be managed by independent fund managers whose performance is monitored by the University's Finance and Policy Committee.

Supplier payments

The University supports the Prompt Payment Code in its relationship with suppliers. It is the University's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the University and its suppliers, providing that all trading terms and conditions have been complied with. At 31 July 2018 the University had an average of 22 days' purchases outstanding in trade creditors. Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 was £169.

Pensions

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

The USS triennial valuation remains unresolved. In November 2017, the USS Trustee advised that the deficit as at March 2017 had increased to £7.5 billion, and the costs of building up benefits had increased by around one third compared with the 2014 valuation. Following unsuccessful negotiations to confirm the valuation and resolve the scheme funding, the scheme stakeholders established a Joint Expert Panel in May 2018, enabling employer and employee representatives to work together to find common ground to conclude the 2017 valuation. The Joint Expert Panel reported in September 2018 and a consultation period with employers is now underway. The University is supportive of this process and is looking towards an outcome that will result in a Joint Negotiating Committee decision. In the absence of such a decision, the Trustee has indicated that the cost sharing provision within the scheme is the only default process that can legally operate for addressing the regulatory and legal obligations of the latest valuation. This would result in significant additional cost to the University as an employer and personally to our USS members, with staged increases in contribution starting from October 2019. The path to delivering the alternative Joint Expert Panel recommendations remains complex and challenging. The unknown future costs of this pension scheme are a significant risk to the financial sustainability of the University and we remain an active participant in working towards a resolution to the 2017 valuation.

The 2017 valuation for UODS has completed and the University concluded an agreement with the Trustees after the year-end to increase cash funding to address the scheme deficit. This has resulted in a one off payment of £5m in 2018/19, plus additional payments of £1.9m pa until 2031, inflated at 3% pa.

Future Financial Outlook

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

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

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 behavior 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 Plan 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 us 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, diversity and inclusion 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 (OPD) service. The University, through the Equality, Diversity and Inclusion 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.

www.dundee.ac.uk/disabilityservices/staff/staffdevelopment

A series of training seminars and activities are organized to raise awareness of LGBT issues including trans awareness to provide knowledge about the lived experiences of trans people in Scotland, in order, to help ensure that the University of Dundee is an inclusive and accepting place to work and to study.

As part of our commitment to advancing equality of opportunity, the University has established a number of formal Staff Networks, allowing 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.

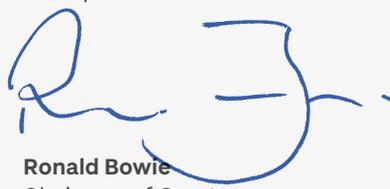
The University, through the Equality, Diversity and Inclusion Office, is currently supporting three Staff Networks:

- Black and Minority Staff (BME) Steering Group
- Lesbian, Gay, Bisexual and Transgender (LGBT) Staff Network
- Disabled 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. The School of Life Sciences has achieved a Silver award and a number of schools are actively working towards achieving Silver and Bronze awards. In addition to events organised by the University Athena SWAN groups, further support and contribution towards the commitment of advancing Gender equality in the University is provided through the OPD team. The University is evidencing its commitment towards race equality by joining the Race Equality Charter during 2018. This Charter will help the University in improving the representation, progression and success of minority ethnic staff and students in higher education.



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



Ronald Bowie
Chairman of Court

1 in 7

Dundee is Scotland's most student-friendly city.

Around one in seven of the population is in higher or further education.

Great for graduates

We are first in Scotland and sixth in the UK for graduate prospects, with over 85% of our recent graduates going on to graduate level employment or further study.

Complete University Guide 2019



Corporate Governance

This report covers the period from 1 August 2017 to 19 November 2018.

Compliance with the Scottish Code of Good Higher Education Governance

A revised Scottish Code of Good Higher Education Governance was published in 2017 which replaced the 2013 Scottish Code of Good Higher Education Governance. Academic year 2017/18 is considered a transitional year for compliance with the 2017 Code. In the opinion of the Court (the University's governing body), the University complies with all the principles and provisions of the 2013 Scottish Code of Good Higher Education Governance and has been working to ensure compliance with the 2017 Code. Areas of the Code where there remained non-compliance at 31 July 2018 were:

Recommendation 14: Schedule of Matters Reserved to the Court. The Court agreed a schedule at its meeting on 30 August 2018 and this is now published on the University's website. The Court now considers that the University is fully compliant with this recommendation.

Recommendation 20: Election of existing member of the governing body to serve as Chair. The University revised Statutes and Ordinances to give force to this recommendation in 2017, and agreed regulations for the operation of the selection and election process at its meeting on 30 August 2018. The current incumbent as Chairperson of Court was appointed under rules in force before the publication of the 2017 Code. The Court considers that the University has arrangements in place to be fully compliant with this recommendation as a vacancy arises.

Recommendation 43: Annual public stakeholder meeting. At its meeting on 30 August 2018, the Court agreed arrangements for its first annual stakeholder event in January 2019. The Court therefore considers that the University has the arrangements in place to be compliant with this recommendation.

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 by the Court in August 2016 following external advertisement, shortlisting and interview by a panel comprising lay, student and staff members of Court. Future appointments to the role will be carried out in line with the Higher Education Governance (Scotland) Act ('the Act'), with the first election due to take place in early 2019. The Deputy Chair of Court is appointed by the Court on the recommendation of the Governance and Nominations Committee. The lay members are all considered to be independent. The Governance and Nominations Committee appoints eight such co-opted members following an external advertisement and interview. This process takes into account the skills and diversity of existing Court members as well as future requirements and issues of succession, for example, to convenorships of Court Committees. The Court uses a skills matrix developed to inform lay appointments to the Court and has agreed a statement setting out its goals in relation to the balance of its membership in terms of equality and diversity. 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 and Policy Committee, People and Organisational Development Committee, Governance and Nominations Committee, Remuneration Committee and Audit Committee. These committees have written remits, which are reviewed annually, and their decisions and recommendations are formally reported to Court. They each have a specified membership, including lay members and a lay 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 2017/18, is set out in the table below. In summary the committees operate as follows:

On an annual basis the Governance and Nominations Committee considers the contributions and commitment of members to the work of the Court and its Committees and more generally to the life of the University. The Governance and Nominations Committee has general oversight of the governance framework of the institution, considers changes to the governing instruments and makes recommendations to Court on Court and committee membership. It takes particular interest in ensuring the overall effectiveness of the Court and its committees in providing support and challenge to the University Executive in achieving the University's strategic objectives. The Committee also engages with aspects of quality assurance both in learning and teaching and in research, and this, along with regular reports from the Senate, enables the Committee to advise Court on its obligations in relation to academic quality.

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal. In preparation for this role, it is guided by the Court on the policy it wishes the Committee to adopt in reaching its decisions with regard to senior pay. From August 2018, the Committee comprises four lay members of Court, a student and a staff member. The Chairperson of Court is included within this membership but is not the Convener of the Committee. Whilst the Principal is invited by the Committee to attend in order to advise on the remuneration of senior officers of the University, the Principal is not present at any discussion by the Committee in relation to his own remuneration. To improve transparency over decisions on remuneration, the Committee has introduced an annual report to the Court which provides further detail on the operation of the Committee and policy and approach to the review of senior pay.

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

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

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

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

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

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

Effectiveness

Members of the governing body are encouraged to participate in training and development sessions offered by the Leadership Foundation for Higher Education (now part of Advance HE) as part of its Governor Development Programme, 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 are also encouraged to attend external training sessions provided by the audit sector, with additional training on matters of interest being arranged when appropriate.

The Court reflects annually on the effectiveness of both the Chair and of the Court itself, and each committee also reflects annually on its own effectiveness and general operation, with outputs from these committee reviews being considered by the Court. In addition, the effectiveness of Court and of its Committees is evaluated formally at least every five years using external facilitation. 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 and Nominations Committee to determine whether lay members' appointments to the Court should be renewed.

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

Remuneration levels of the members of the UEG as at 31 July 2018, excluding employer's pension contributions, were as follows:

Principal*	£270,000 – £279,999
Vice-Principal (Provost)	£140,000 – £149,999
Vice-Principal (International)	£150,000 – £159,999
Vice-Principal (Learning and Teaching)	£130,000 – £139,999
Vice-Principal (Research, Knowledge Exchange and Wider Impact)	£120,000 – £129,999
University Secretary	£140,000 – £149,999
Director of Finance	£130,000 – £139,999
Director of External Relations	£100,000 – £109,999
Director of Human Resources and Organisational Development	£120,000 – £129,999

* 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

In 2017 the University approved a new framework which set out its strategic goals and objectives for the next planning period: Strategy to 2022. In measuring its progress in achieving these goals and objectives, Court receives regular reports from the Director of Strategic Planning on action plans and performance indicators, which are supported by access to online dashboards. The indicators cover a range of measures from undergraduate entry requirements and graduate employment rates to fee income levels, volume of research, income per academic full time equivalent (FTE), and space and energy efficiency. An annual summary of performance relative to key performance indicators and progress towards strategic objectives is published on the Court web pages:

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
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 statements by the University Court.

The Members of Court who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditor is unaware; and each Member of Court has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.

Dundee at a glance

17 500
students

- **Our University is home** to more than 17,500 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, with over 140 countries represented on campus

£740m

- **For the Scottish Economy** Our economic impact has been measured at over £740million a year to Scotland and the UK

World Top **50**

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

Founded in

1881

- **Independent since 1967** following a 70-year relationship with the University of St Andrews.

1 in 7

- **Dundee is Scotland's most student-friendly city** with around 1 in 7 of the population in higher or further education

93% overall satisfaction

- **One of the best places in the UK to be a student** One of Times Higher Education's 'NSS top tier' universities. *International Student Barometer 2017*

Court and Committee Attendance 2017/18

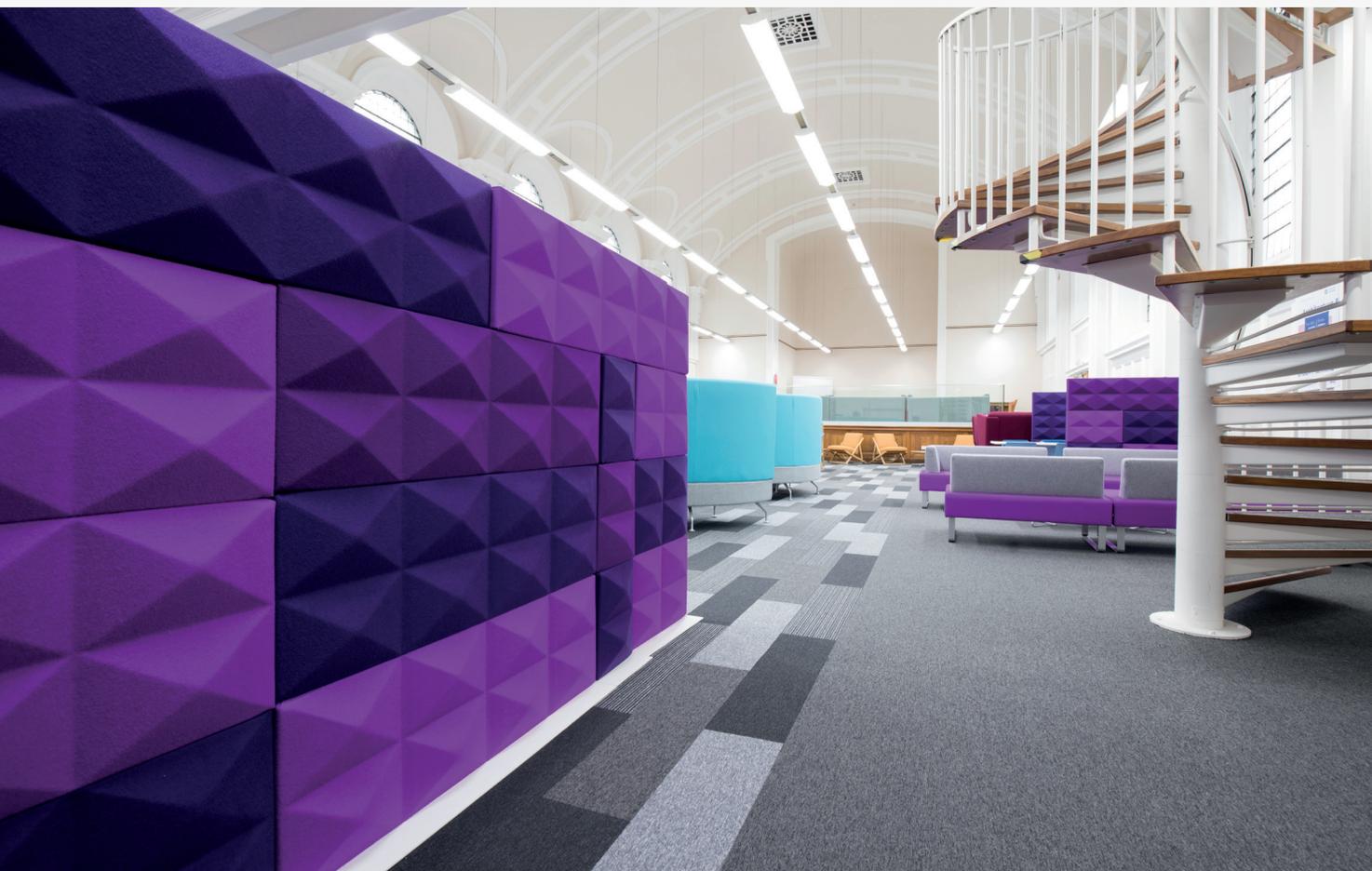
(up to 31 July 2018)

		Court (of 6)	F&PC ³ (of 6)	G&NC ¹ (of 6)	PODC (of 5)	AC ^{2&3} (of 4)	RC (of 3)
Ronald Bowie*, Chairperson		6 (c)	4	5 (c)			3
Jo Elliot*, Deputy Chairperson	To 31/07/2018	6	6 (a)			4 (c)	
Janice Aitken		6			5		
Anne Anderson		5			3		
Alan Bainbridge*	From 01/08/2018						
Richard Bint*		4	5	5			3
Lord Provost Ian Borthwick*		4					
Dr William Boyd*		6			5	4	
Lady Lynda Clark*	From 01/08/2018						
Shirley Campbell*		5			5 (c)		2
Professor Sir Pete Downes		6	4	3			
Ezichi Ekpe	To 31/07/2018	4		0 (of 1)			
Rumana Kapadia	From 01/08/2018						
Professor Tim Kelly		6			4		
Rebecca Leiper	From 31/05/2018	0 (of 1)					
Bernadette Malone*	Deputy Chair from 01/08/2018	6		5	3		3 (c)
Jane Marshall*		5	6	6			
Allan Murray*		5	5				
Sean O'Connor	To 31/06/2018	5	4				
Dr Alison Reeves		6			5		
Karen Reid*		4				2	
Andrew Richmond*	To 31/07/2018	6	6 (c)			4 (a)	
Dr Jean Robson*		5			5		
Sofia Skevofylaka*	From 01/07/2018						
Professor Mairi Scott		4	5	5			
Jay Surti*	From 01/08/2018						
Sharon Sweeney		6	5				
Denis Taylor*	To 31/07/2018	4	0 (of 1)		5		
Phil Welsh	To 17/04/2018	1 (of 4)		1 (of 5)			
Keith Winter*	From 02/06/2018	0 (of 1)					

(a) In attendance

(c) Convener

*Lay Members



Notes

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

F&PC = Finance and Policy Committee

G&NC = Governance and Nominations Committee

PODC = People and Organisational Development Committee

AC = Audit Committee

RC = Remuneration Committee

1. The Governance and Nominations Committee had an additional student member who was not a member of the Court, Toni McKinney, who attended three meetings during 2017/18.
2. The Audit Committee has two additional co-opted members, who are not members of Court: Karen Bassett and Neil Menzies who both attended four meetings during 2017/18.
3. From 1 August 2018 Richard Bint and Karen Reid assumed the role of Convener for the Finance and Policy and Audit Committees respectively.

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.

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.



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 and 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 the University of Dundee (the parent University) and its subsidiaries (the group) for the year ended 31 July 2018 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 Sheet, the Consolidated Cash Flow statement and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent University's state of affairs as at 31 July 2018 and of the group and parent University's income and expenditure, recognised gains and losses, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent 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 group's or the parent 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 29, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

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

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

We have nothing to report in this regard.

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

In our opinion, in all material respects:

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

- funds from whatever source administered by the University for specific purposes have been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- funds provided by Scottish Funding Council have been applied in accordance with the requirements of the Scottish Funding Council Financial Memorandum with Higher Education Institutions.
- Matters on which we are required to report by exception
- We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:
- the information given in the Strategy and Financial Review is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the parent University financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the University Court

As explained more fully in the Statement of Responsibilities set out on page 24, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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



Ernst & Young LLP
Statutory Auditor
Edinburgh

22 November 2018

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

34	Consolidated and University Statement of Income and Expenditure
35	Consolidated and University Statement of Changes in Reserves
36	Consolidated and University Balance Sheets
38	Consolidated Cash Flows
39	Statement of Principal Accounting Policies
43	Notes to the Financial Statements

Financial Statements

Year Ended 31 July 2018

Consolidated and University Statement of Income and Expenditure

Year ended 31 July 2018

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Scottish funding council grants	1	78,528	78,528	81,654	81,654
Tuition fees and education contracts	2	56,809	56,809	51,335	51,335
Research grants and contracts	3	74,018	74,018	76,158	76,158
Other income	4	31,155	30,699	32,007	32,072
Investment income	5	986	986	867	867
Donations and endowments	6	5,138	5,138	2,344	2,342
Total income		246,634	246,178	244,365	244,428
Expenditure					
Staff costs	7	144,867	144,464	142,459	142,061
Other operating expenses	8	86,270	86,305	87,448	87,576
Depreciation and amortisation	12, 13	22,035	21,952	19,417	19,311
Interest and other finance costs	9	2,513	2,513	2,552	2,552
Total expenditure		255,685	255,234	251,876	251,500
Deficit before other gains and share of operating loss in associate		(9,051)	(9,056)	(7,511)	(7,072)
Gain on disposal of non-current assets - fixed assets		-	-	399	399
Gain on disposal of non-current assets - investments		-	-	3,395	3,395
Gain on investments		1,324	1,324	2,441	2,441
Share of operating loss in associate	20	(332)	-	(85)	-
Deficit before tax		(8,059)	(7,732)	(1,361)	(837)
Taxation	10	-	-	-	-
Deficit for the year		(8,059)	(7,732)	(1,361)	(837)
Remeasurement of pension scheme liability	31	15,101	15,101	10,744	10,744
Total comprehensive income/(loss) for the year		7,042	7,369	9,383	9,907
Represented by:					
Endowment comprehensive income for the year		1,340	1,340	2,470	2,470
Restricted comprehensive income for the year		699	699	21	21
Unrestricted comprehensive income/(loss) for the year		5,003	5,330	6,892	7,416
		7,042	7,369	9,383	9,907

All items of income and expenditure relate to continuing activities

Consolidated and University Statement of Changes in Reserves

Year ended 31 July 2018

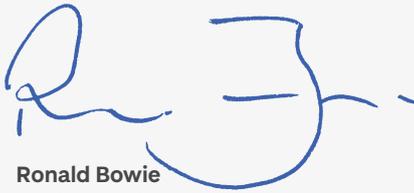
Consolidated	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£000	£000	£000	
Balance at 1 August 2016	25,794	2,913	164,530	193,237
Surplus / (deficit) from the income and expenditure statement	3,495	376	(5,232)	(1,361)
Other comprehensive income/(loss)	-	-	10,744	10,744
Release of restricted funds spent in year	(1,025)	(355)	1,380	-
Total comprehensive income/loss for the year	2,470	21	6,892	9,383
Balance at 31 July 2017	28,264	2,934	171,422	202,620
Surplus / (deficit) from the income and expenditure statement	2,782	2,467	(13,308)	(8,059)
Other comprehensive income/(loss)	-	-	15,101	15,101
Release of restricted funds spent in year	(1,442)	(1,768)	3,210	-
Total comprehensive income for the year	1,340	699	5,003	7,042
Balance at 31 July 2018	29,604	3,633	176,425	209,662
University	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£000	£000	£000	
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 income/(loss)	-	-	10,744	10,744
Release of restricted funds spent in year	(1,025)	(355)	1,380	-
Total comprehensive income/loss for the year	2,470	21	7,416	9,907
Balance at 1 August 2017	28,264	2,934	176,115	207,313
Surplus / (deficit) from the income and expenditure statement	2,782	2,467	(12,981)	(7,732)
Other comprehensive income/(loss)	-	-	15,101	15,101
Release of restricted funds spent in year	(1,442)	(1,768)	3,210	-
Total comprehensive income for the year	1,340	699	5,330	7,369
Balance at 31 July 2018	29,604	3,633	181,445	214,682

Consolidated and University Balance Sheet

	Notes	As at 31 July 2018		As at 31 July 2017	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Intangible assets	12	1,890	1,890	2,479	2,479
Fixed assets	13	290,717	289,289	294,575	293,066
Investments	15	25,851	25,851	23,970	23,970
		318,458	317,030	321,024	319,515
Current assets					
Stock		199	199	224	224
Trade and other receivables	16	27,159	28,417	29,015	33,346
Cash and cash equivalents	17	40,530	40,062	46,973	43,805
		67,888	68,678	76,212	77,375
Less: Creditors: amounts falling due within one year	18	(83,152)	(82,924)	(83,673)	(83,732)
Net current liabilities		(15,264)	(14,246)	(7,461)	(6,357)
Total assets less current liabilities		303,194	302,784	313,563	313,158
Creditors: amounts falling due after more than one year	19	(2,471)	(2,471)	(2,620)	(2,620)
Provisions					
Pension provisions	20	(83,293)	(83,293)	(97,605)	(97,605)
Other provisions	20	(7,768)	(2,338)	(10,718)	(5,620)
Total net assets		209,662	214,682	202,620	207,313
Restricted Reserves					
Income and expenditure reserve - endowment reserve	21	29,604	29,604	28,264	28,264
Income and expenditure reserve - restricted reserve	22	3,633	3,633	2,934	2,934
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		176,425	181,445	171,422	176,115
Total Reserves		209,662	214,682	202,620	207,313

Consolidated and University Balance Sheet

The financial statements were approved by the Court on 19 November 2018 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



Carol Prokopyszyn
Director of Finance

Consolidated and University Cash Flow

Year ended 31 July 2018

		Year ended 31 July 2018	Year ended 31 July 2017
	Notes	Consolidated £000	Consolidated £000
Cash flow from operating activities			
Deficit for the year		(8,059)	(1,361)
Adjustment for non-cash items			
Depreciation	13	17,790	19,417
Amortisation and impairment of intangible assets		4,245	-
Gain on endowments and investments		(1,324)	(2,441)
Increase in stock		25	31
Decrease / (increase) in debtors	16	1,856	4,558
Increase / (decrease) in creditors		(473)	1,766
(Decrease) / increase in pension provision		(608)	83
(Decrease) / increase in other provisions	20	(3,282)	863
Pension costs less contributions payable		(879)	(498)
Share of operating deficit in associate	20	332	85
Adjustment for investing or financing activities			
Investment income	5	(986)	(867)
Interest payable	9	2,513	2,552
Endowment income	6	(543)	(296)
Gain on sale of fixed assets		-	(399)
Gain on sale of investments		-	(3,395)
Capital grant income	6	(5,467)	(5,155)
Net cash inflow/(outflow) from operating activities		5,140	14,943
Cash flows from investing activities			
Proceeds from sales of fixed assets		-	541
Capital grants receipts	6	5,467	5,155
Disposal of non-current asset investments		3,194	14,525
Investment income	5	986	867
Endowment funds invested	6	(543)	(296)
Withdrawal of deposits		543	296
Payments made to acquire fixed assets	13	(13,932)	(14,318)
Payments made to acquire intangible assets	12	(3,656)	(2,388)
New non-current asset investments	15	(3,756)	(10,500)
		(11,697)	(6,118)
Cash flows from financing activities			
Interest paid	9	(110)	(110)
Interest element of finance lease	9	(127)	(235)
Endowment cash received	6	543	296
New unsecured loans	19	641	542
Repayments of amounts borrowed	19	(187)	(97)
Capital element of finance lease		(646)	2,467
		114	2,863
Increase/(decrease) in cash and cash equivalents in the year		(6,443)	11,688
Cash and cash equivalents at beginning of the year	17	46,973	35,285
Cash and cash equivalents at end of the year	17	40,530	46,973

Statement of Principal Accounting Policies

Year ended 31 July 2018

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.

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

3. Income recognition

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 on 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 or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream.

Capital grants

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

4. Accounting for retirement benefits

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

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

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

Defined Contribution Plan

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

Defined Benefit Plan

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

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

5. Employment benefits

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

6. Finance leases

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

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

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

7. Service concession arrangements

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

8. Operating leases

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

9. Foreign currency

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

10. Fixed assets

Fixed assets are stated at cost less accumulated depreciation 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 of 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

All intangible assets are considered to have finite lives which will be determined by the assessed useful economic life and the period of any contractual or legal rights (including any renewal periods where the cost of renewal is not significant). Intangible assets in the course of development are not depreciated until they are brought into use.

12. Investments

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

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

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

Current asset investments are held at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure. Interests in land and/or buildings held for their investment potential are included in the balance sheet at their market value without charging depreciation.

13. Stocks

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

14. Cash and cash equivalents

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

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

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

15. Provisions, contingent liabilities and contingent assets

Provisions are recognised when:

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

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. The attributable share of net liabilities in associates is shown as a provision in the consolidated balance sheet.

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

be measured reliably. A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

16. Taxation

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

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

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

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

17. Derivatives

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

18. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Notes to the Financial Statements

Year ended 31 July 2018

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
1. Scottish funding council grants				
General fund - teaching	51,140	51,140	51,190	51,190
General fund - research and knowledge exchange	22,149	22,149	22,767	22,767
Strategic funding	1,737	1,737	2,542	2,542
Capital funding	3,502	3,502	5,155	5,155
	78,528	78,528	81,654	81,654
2. Tuition fees and education contracts				
UK and EU fees	18,635	18,635	18,124	18,124
Rest of UK Fees	10,269	10,269	8,548	8,548
Non-EU fees	23,640	23,640	20,697	20,697
Non-credit bearing course fees	1,013	1,013	704	704
Other contracts	3,252	3,252	3,262	3,262
	56,809	56,809	51,335	51,335
3. Research grants and contracts				
Research councils	17,754	17,754	18,909	18,909
UK charities	22,783	22,783	26,944	26,944
European commission	7,100	7,100	8,438	8,438
Other grants and contracts	25,485	25,485	21,867	21,867
Research and development expenditure credit	896	896	-	-
	74,018	74,018	76,158	76,158

Notes to the Financial Statements

Year ended 31 July 2018

	Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated £000	University £000	Consolidated £000	University £000
4. Other income					
Residences, catering and conferences		8,901	8,901	8,640	8,640
Other services rendered		10,239	10,327	11,120	11,208
Health authorities		5,058	5,058	4,785	4,785
Other income		6,957	6,413	7,462	7,439
		31,155	30,699	32,007	32,072
5. Investment income					
Investment income on endowments	21	915	915	779	779
Other investment income		71	71	88	88
		986	986	867	867
6. Donations and endowments					
Capital grants		1,965	1,965	-	-
New endowments	21	543	543	296	296
Donations with restrictions	22	261	261	240	240
Other income with restrictions	22	241	241	136	136
Unrestricted donations		2,128	2,128	1,672	1,670
		5,138	5,138	2,344	2,342

Notes to the Financial Statements

Year ended 31 July 2018

	Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated £000	University £000	Consolidated £000	University £000
7. Staff costs					
Staff Costs :					
Wages and salaries		114,533	114,203	112,408	112,070
Social security costs		11,015	10,997	11,015	10,998
Other pension costs	31	19,129	19,074	18,933	18,890
Total		144,677	144,274	142,356	141,958

Staff costs by major category:

Academic departments		72,360	72,360	68,991	68,991
Academic services		12,985	12,985	12,090	12,090
Research grants and contracts		34,322	34,322	36,393	36,393
Administration and central services		16,310	15,907	16,257	15,859
Premises		4,851	4,851	4,626	4,626
Other		3,321	3,321	3,523	3,523
Catering and residences		528	528	476	476
		144,677	144,274	142,356	141,958
Restructuring costs		190	190	103	103
Total		144,867	144,464	142,459	142,061

	2017/18 £000	2016/17 £000
Emoluments of the Principal:		
Annual salary	238	234
Supplement in lieu of employers' pension contributions	32	32
Total	270	266

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).

The pay multiple of the Principal to the median earnings of the whole workforce is 6.9 calculated using the Universities and Colleges Employers Association methodology.

Notes to the Financial Statements

Year ended 31 July 2018

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:

	2017/18	2017/18	2016/17	2016/17
	Number	Number	Number	Number
	Non-clinical	Clinical	Non-clinical	Clinical
£100,000 to £109,999	10	3	6	4
£110,000 to £119,999	3	4	7	6
£120,000 to £129,999	5	10	2	11
£130,000 to £139,999	2	10	4	11
£140,000 to £149,999	5	5	4	2
£150,000 to £159,999	1	2	-	3
£160,000 to £169,999	-	7	-	6
£170,000 to £179,999	-	3	-	1
£180,000 to £189,999	1	1	1	2
£190,000 to £199,999	-	-	-	1
£200,000 to £209,999	-	-	-	2
£210,000 to £219,999	-	-	-	1
£220,000 to £229,999	-	-	-	-
£230,000 to £239,999	-	-	1	-
	27	45	25	50

	2017/18	2016/17
Average staff numbers by major category:	Number	Number
Academic departments	1,272	1,224
Academic services	302	288
Research grants and contracts	678	747
Administration and central services	416	393
Premises	173	167
Other	78	81
Catering and residences	17	14
	2,936	2,914

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

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

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers, including the University, to collate and publish a range of data on the amount and cost of Trade Union facility time within their organisation on an annual basis. The percentage of the total pay bill spend on trade union facility time for the period 1 April 2017 to 31 March 2018 was 0.046%.

Notes to the Financial Statements

Year ended 31 July 2018

	Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	University	Consolidated	University
		£000	£000	£000	£000
8. Other operating expenses					
Academic departments		12,359	12,358	13,027	13,026
Academic services		7,610	7,648	7,903	7,935
Research grants and contracts		26,089	26,089	27,373	27,373
Administration and central services		17,356	17,285	15,764	15,695
Premises		11,349	11,418	11,983	12,149
Other		3,092	3,092	3,268	3,268
Catering and residences		8,415	8,415	8,130	8,130
		86,270	86,305	87,448	87,576

Other operating expenses include:

External auditors remuneration in respect of audit services		80	64
External auditors remuneration in respect of non-audit services		-	10
Internal auditors remuneration		49	52
Operating lease rentals:			
Plant and machinery	25	-	0
Office equipment	25	472	603

	Notes	Year Ended 31 July 2018		Year Ended 31 July 2017	
		Consolidated	University	Consolidated	University
		£000	£000	£000	£000
9. Interest and other finance costs					
Loan interest repayable within 5 years		110	110	110	110
Finance lease interest		127	127	235	235
Net charge on pension schemes	31	2,276	2,276	2,207	2,207
		2,513	2,513	2,552	2,552

Notes to the Financial Statements

Year ended 31 July 2018

	Year Ended 31 July 2018		Year Ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
10. Taxation				
Recognised in the statement of comprehensive income:				
Current tax				
UK corporation tax	-	-	-	-
Total tax expense	-	-	-	-

	2018	2017
	£000	£000
11. Deficit on continuing operations for the year		
University deficit for the year	(7,732)	(837)
Deficit generated by associate and subsidiary undertakings	(327)	(524)
Deficit on continuing operations for the year	(8,059)	(1,361)

	Assets in Use	Assets in the Course of Construction	Total
12. Intangible assets			
Consolidated and University			
Cost			
At 1 August 2017	-	2,479	2,479
Additions	139	3,517	3,656
Transfers	130	(130)	-
At 31 July 2018	269	5,866	6,135
Depreciation and Impairment			
At 1 August 2017	-	-	-
Charge for the year	90	-	90
Impairment loss	-	4,155	4,155
At 31 July 2018	90	4,155	4,245
Closing balance	179	1,711	1,890

The additions during the year relate to costs incurred in the development phases of a software project and a web project.

The useful life of the asset in use is 3 years reflecting the interim nature of this software module.

The impairment of £4,155k relates to a software project.

Notes to the Financial Statements

Year ended 31 July 2018

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 2017	353,756	3,181	82,111	3,639	442,687
Additions	6,538	-	3,265	4,129	13,932
Transfers	1,834	-	1,133	(2,967)	-
Disposals	-	-	-	-	-
At 31 July 2018	362,128	3,181	86,509	4,801	456,619
Depreciation and impairment					
At 1 August 2017	75,395	2,129	70,588	-	148,112
Charge for the year	9,732	65	7,547	-	17,344
Impairment loss	446	-	-	-	446
Disposals	-	-	-	-	-
At 31 July 2018	85,573	2,194	78,135	-	165,902
Net book value					
At 31 July 2018	276,555	987	8,374	4,801	290,717
At 1 August 2017	278,361	1,052	11,523	3,639	294,575

Notes to the Financial Statements

Year ended 31 July 2018

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 2017	353,196	-	82,054	3,639	438,889
Additions	6,538	-	3,263	4,129	13,930
Transfers	1,834	-	1,133	(2,967)	-
Disposals	-	-	-	-	-
At 31 July 2018	361,568	-	86,450	4,801	452,819
Depreciation and impairment					
At 1 August 2017	75,273	-	70,550	-	145,823
Charge for the year	9,721	-	7,540	-	17,261
Impairment loss	446	-	-	-	446
Disposals	-	-	-	-	-
At 31 July 2018	85,440	-	78,090	-	163,530
Net book value					
At 31 July 2018	276,128	-	8,360	4,801	289,289
At 1 August 2017	277,923	-	11,504	3,639	293,066

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

At 31 July 2018, freehold land and buildings included £8.9m (2017: £8.9m) in respect of freehold land and is not depreciated.

Impairment losses recognised in the year amount to £446k in respect of the Microcentre.

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 2018

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 2017	-	649	23,321	23,970
Additions	-	4	3,752	3,756
Disposals	-	-	(3,199)	(3,199)
Increase in market value of investments	-	-	1,324	1,324
At 31 July 2018	-	653	25,198	25,851
University				
At 1 August 2017	-	649	23,321	23,970
Additions	-	4	3,752	3,756
Disposals	-	-	(3,199)	(3,199)
Impairment	-	-	-	-
Increase in market value of investments	-	-	1,324	1,324
At 31 July 2018	-	653	25,198	25,851

Other non-current investments consist of:

	Consolidated and University
	£000
Listed investments	-
Index linked government stocks and investment trusts	597
Other	56
	<u>653</u>

Listed investments are held at fair value.

Notes to the Financial Statements

Year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
16. Trade and other receivables				
Amounts falling due within one year:				
Trade receivables	6,910	6,694	10,034	10,029
Prepayments and accrued income	20,249	20,090	18,981	18,918
Amounts due from subsidiary companies	-	1,633	-	4,399
	27,159	28,417	29,015	33,346

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
17. Cash and cash equivalents				
Short term deposits	34,428	34,428	31,976	31,976
Bank	6,053	5,585	14,943	11,775
Cash on hand	49	49	54	54
	40,530	40,062	46,973	43,805

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 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
18. Creditors: amounts falling due within one year				
Unsecured loans	255	255	187	187
Obligations under finance leases	535	535	646	646
Trade payables	5,421	5,277	6,762	6,988
Social security and other taxation payable	3,132	3,132	2,999	2,999
Accruals and deferred income	73,809	73,725	73,079	72,912
	83,152	82,924	83,673	83,732

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	32,204	32,204	29,742	29,742
Other income received on account	24,534	24,510	27,223	27,205
	56,738	56,714	56,965	56,947

Notes to the Financial Statements

Year ended 31 July 2018

	Year ended 31 July 2018		Year ended 31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
19. Creditors: amounts falling due after more than one year				
Deferred income	-	-	-	-
Unsecured loans	1,185	1,185	799	799
Obligations under finance leases	1,286	1,286	1,821	1,821
	2,471	2,471	2,620	2,620
Analysis of secured and unsecured loans:				
Due within one year or on demand (Note 17)	255	255	187	187
Due between one and two years	269	269	187	187
Due between two and five years	916	916	612	612
Due in five years or more	-	-	-	-
	1,440	1,440	986	986
Due within one year or on demand	(255)	(255)	(187)	(187)
Total secured and unsecured loans	1,185	1,185	799	799
Unsecured loans repayable by 2022	1,440	1,440	986	986
	1,440	1,440	986	986

There are four loans from Salix Limited amounting to £1,574k (2017: £1,229k) repayable in six-monthly, interest-free instalments until April 2026 to fund energy efficient lighting projects of which £1,145k (2017: £986k) remains outstanding at 31 July 2018.

There is a loan from the Scottish Funding Council carbon reduction programme amounting to £295k (2017: £nil) repayable in monthly, interest-free instalments until December 2025 to fund energy saving projects of which £295k (2017: £nil) remains outstanding at 31 July 2018.

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 2018 the amount drawn down was £nil.

All obligations under finance leases are due within 5 years.

Notes to the Financial Statements

Year ended 31 July 2018

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 2017	23,911	6,050	67,644	97,605	5,620	5,098	10,718
Utilised in year	(14,730)	(453)	(4,513)	(19,696)	(778)	-	(778)
Additions in 2017/18	13,747	163	(8,207)	5,703	560	332	892
Unused amounts reversed in 2017/18	-	(319)	-	(319)	(3,064)	-	(3,064)
At 31 July 2018	22,928	5,441	54,924	83,293	2,338	5,430	7,768
University							
At 1 August 2017	23,911	6,050	67,644	97,605	5,620	-	5,620
Utilised in year	(14,730)	(453)	(4,513)	(19,696)	(778)	-	(778)
Additions in 2017/18	13,747	163	(8,207)	5,703	560	-	560
Unused amounts reversed in 2017/18	-	(319)	-	(319)	(3,064)	-	(3,064)
At 31 July 2018	22,928	5,441	54,924	83,293	2,338	-	2,338

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 2018 was carried out by the University's appointed independent actuary, XPS Pensions Group.

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

	Consolidated
Discount rate	0.59%
Inflation	2.30%

Notes to the Financial Statements

Year ended 31 July 2018

20. Provisions for liabilities - continued

UODS deficit

The obligation to fund the deficit on the University of Dundee's Superannuation Scheme (UODS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. The deficit within the scheme at 31 July 2018 was assessed by the University's appointed independent actuary, XPS Pensions Group.

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

Other provisions

Other provisions include amounts relating to:

	£000
Demolition costs	110
Research grants	1,515
VAT including capital goods scheme	525
Other	188
	2,338

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 2018

	DSV Limited	University share of DSV Limited
	£000	£000
Total funds	(16,294)	(5,430)
Deficit for the year	(996)	(332)
Total income	7,283	2,428
Total fixed assets	31,619	10,540
Total current assets	12,198	4,066
Liabilities less than one year	(1,871)	(624)
Liabilities more than one year	(58,240)	(19,413)

Notes to the Financial Statements

Year ended 31 July 2018

21. Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Expendable endowments	2018 Total	2017 Total
	£000	£000	£000	£000	£000
Balances at 1 August					
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
New endowments	119	-	424	543	296
Investment income	652	257	6	915	779
Expenditure	(522)	(344)	(576)	(1,442)	(1,025)
Increase in market value of investments	950	374	-	1,324	2,420
Total endowment comprehensive income for the year	1,199	287	(146)	1,340	2,470
At 31 July	19,328	6,943	3,333	29,604	28,264
Represented by:					
Capital	17,663	6,943	3,333	27,939	26,730
Accumulated income	1,665	-	-	1,665	1,534
	19,328	6,943	3,333	29,604	28,264
Analysis by type of purpose:					
Lectureships	6,405	-	-	6,405	6,057
Scholarships and bursaries	8,504	3,621	115	12,240	11,573
Research support	621	-	2,591	3,212	3,389
Prize funds	3,152	-	60	3,212	2,902
General	646	3,322	567	4,535	4,343
	19,328	6,943	3,333	29,604	28,264
Analysis by asset:					
Current and non-current asset investments				25,198	23,321
Cash and cash equivalents				4,406	4,943
				29,604	28,264

Notes to the Financial Statements

Year ended 31 July 2018

22. Restricted Reserves

Reserves with restrictions are as follows:

	Unspent capital grants	Donations	2018 Total	2017 Total
	£000	£000	£000	£000
Balances at 1 August	52	2,882	2,934	2,913
New grants	1,965	-	1,965	-
New donations	-	261	261	240
Other income	-	241	241	136
Capital grants utilised	(1,424)	-	(1,424)	(69)
Expenditure	-	(344)	(344)	(286)
Total restricted comprehensive income for the year	541	158	699	21
At 31 July	593	3,040	3,633	2,934

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

Lectureships	-	-
Scholarships and bursaries	10	11
Research support	-	-
Prize funds	-	-
General	3,030	2,871
	3,040	2,882

23. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2018:

	31 July 2018		31 July 2017	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
Commitments contracted for	3,986	3,986	7,178	7,178
Authorised but not contracted for	5,061	5,061	5,775	5,775
	9,047	9,047	12,953	12,953

Notes to the Financial Statements

Year ended 31 July 2018

24. Contingent liabilities

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

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

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

25. Lease obligations

Total rentals payable under operating leases:

	31 July 2018			31 July 2017
	Plant and Machinery	Office Equipment	Total	Total
	£000	£000	£000	£000
Payable during the year	-	472	472	603
Future minimum lease payments due:				
Not later than 1 year	-	472	472	603
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
Total lease payments due	-	472	472	603

26. Events after the reporting period

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. The University considers it is likely that this ruling will impact the defined benefit scheme in which it is a participating employer and may result in the recognition of additional liabilities. As a consequence of this ruling, trustees of pension schemes will need to consider the integrity of their pension scheme data, the adjustments to benefits that may be necessary and any implications for scheme liabilities and funding. The High Court ruling on 26 October 2018 creates an obligation on that date for the Trustees to amend the scheme rules to reflect the consequences of the ruling. Therefore this is considered to be a non-adjusting event after the reporting period. The calculation of any additional liabilities will be a complex and lengthy process and as such the financial effect of any adjustment that may arise cannot be estimated at this stage. Any adjustment will be reflected in the financial statements for the year ended 31 July 2019.

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

Notes to the Financial Statements

Year ended 31 July 2018

27. Bursaries and other student support funds

	2017/18 Childcare £000	2017/18 Nursing £000	2017/18 Discretionary £000	2017/18 Total £000	2016/17 Total £000
Balance b/fwd	-	24	-	24	-
Refund to Scottish Funding Council	-	(24)	-	(24)	-
Allocation received in the year	286	81	606	973	976
Expenditure	(335)	(80)	(555)	(970)	(953)
University contribution to funds	-	-	1	1	1
Virements	49	-	(52)	(3)	-
Balance c/fwd	-	1	-	1	24
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:

	2018 £000	2017 £000
Due to Dundee Student Villages	(18)	(15)

In accordance with the agreement with Dundee Student Villages, the University transferred £8.5m of student rental income to Sanctuary Housing Association.

Conference and room hire amounting to £133k was purchased from West Park Centre Limited, a trading subsidiary of Dundee Student Villages. Sales to Dundee Student Villages in respect of gas safety testing and utilities amounted to £9k.

Notes to the Financial Statements

Year ended 31 July 2018

29. Subsidiary undertakings

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

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

Notes to the Financial Statements

Year ended 31 July 2018

30. Connected charitable institutions

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

The movement in the year to 31 July 2018 on the total funds of the University of Dundee Nursery Limited, as reported in its financial statements, was as follows:

	At 1 August 2017	Income	Expenditure	Change in market value	At 31 July 2018
	£000	£000	£000	£000	£000
Consolidated (see Note 29)					
University of Dundee Nursery Limited (SC032969)	103	495	(547)	-	51

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

	At 1 August 2017	Income	Expenditure	Change in market value	At 31 July 2018
	£000	£000	£000	£000	£000
Not consolidated					
Centenary Trust of Duncan of Jordanstone College of Art (SC020617)	122	-	-	-	122

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

Notes to the Financial Statements

Year ended 31 July 2018

31. Pension Schemes

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

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

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

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

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

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

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

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

	Year Ended	Year Ended
	31 July 2018	31 July 2017
Note	£000	£000
USS	13,304	13,045
UODS including FRS 102 adjustments	5,060	5,160
Other pension schemes	765	728
7	19,129	18,933

Notes to the Financial Statements

Year ended 31 July 2018

31. Pension Schemes - continued

1. Universities Superannuation Scheme (USS)

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

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

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.16% as at 31 July 2018, are included in note 20.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formally completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £22.9 million (assuming the same discount rate of 2.16%):

Impact of:	£000
1% increase	10,918
3.9% increase	42,580
Deficit repayment duration of 20 years	14,367
Deficit repayment duration of 17 years	8,384

Notes to the Financial Statements

Year ended 31 July 2018

31. Pension Schemes - continued

1. Universities Superannuation Scheme (USS) - continued

Based on the current schedule of contributions

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

For years 2018/19 to 2030/31

Pensionable payroll growth assumptions	3% - 4%
Staff changes	(1)% - 0%
Effective deficit contribution rate	1.4% - 2.2%
Discount rate for high quality corporate bond	2.16%

The amounts recognised in comprehensive income are:

	Year Ended 31 July 2018 £000	Year Ended 31 July 2017 £000
Staff costs:		
Employer contribution allocated to scheme deficit	(1,719)	(1,723)
Difference between expected and actual contributions	293	456
	(1,426)	(1,267)
Employer contributions payable	14,730	14,312
	13,304	13,045
Net interest expense:		
Unwinding of discount rate	442	423

Movement in provision (Note 20):

Utilised in year:		
Employer contributions payable	(14,730)	(14,312)
Additions in 2017/18:		
Employer contributions adjusted for FRS 102	13,304	13,045
Unwinding of discount rate	442	423
	13,746	13,468

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Notes to the Financial Statements

Year ended 31 July 2018

31. Pension Schemes - continued

1. Universities Superannuation Scheme (USS) - continued

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions as at 31 March 2017 and 2018:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	<p>Pre-retirement:</p> <p>71% of AMCOO (duration 0) for males and 112% of AFCOO (duration 0) for females.</p> <p>Post-retirement:</p> <p>96.5% of SAPS S1NMA 'light' for males and 101.3% of RFV00 for females.</p>	<p>98% of SAPS S1NA 'light' YOB unadjusted for males.</p> <p>99% of SAPS S1NA 'light' YOB with a -1 year adjustment for females.</p>
Future Improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

Notes to the Financial Statements

Year ended 31 July 2018

31. Pension Schemes - continued

2. University of Dundee Superannuation Scheme (UODS)

The University sponsors the 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 formal 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 is being carried out as at 31 July 2017, and is yet to be finalised. The preliminary results of that valuation have been projected to 31 July 2018. The figures in the following disclosure were measured using the Projected Unit Method.

(Retirement Benefits) Disclosure for the accounting period ending 31 July 2018.

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 2018	Year Ended 31 July 2017
	£000	£000
Defined benefit obligation	(157,608)	(168,398)
Fair value of plan assets	102,684	100,754
Net defined benefit liability	(54,924)	(67,644)

The amounts recognised in comprehensive income are:

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

Service cost:

Current service cost (net of employee contributions)	5,060	5,160
Net interest expense	1,834	1,784
Charge recognised in profit or loss	6,894	6,944

Remeasurements of the net liability:

Return on scheme assets (excluding amount included in net interest expense)	2,429	(170)
Actuarial loss	(17,530)	(10,574)
Charge recorded in other comprehensive income	(15,101)	(10,744)

Total defined benefit cost/(credit)	(8,207)	(3,800)
--	----------------	----------------

Notes to the Financial Statements

Year ended 31 July 2018

31. Pension Schemes - continued

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

The principal actuarial assumptions used were:

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
Liability discount rate	2.90%	2.70%
Inflation assumption - RPI	3.10%	3.30%
Inflation assumption - CPI	2.10%	2.30%
Rate of increase in salaries	3.10%	3.30%
Revaluation of deferred pensions:		
Benefits accrued prior to 1 August 2011	2.10%	2.30%
Benefits accrued after 1 August 2011	2.10%	2.30%
Increases for pensions in payment:		
Benefits accrued prior to 6 April 1997	3.00%	3.00%
Benefits accrued after 5 April 1997	3.60%	3.60%
Benefits accrued after 1 August 2009	3.10%	3.20%
Proportion of employees opting for early retirement	0.00%	0.00%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end	86.0	86.6
Female aged 65 at year end	88.1	88.4
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end	87.0	87.1
Female aged 45 at year end	89.4	89.1

Notes to the Financial Statements

Year ended 31 July 2018

31. Pension Schemes - continued

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

Reconciliation of scheme assets and liabilities

	Assets	Liabilities	Total
	£000	£000	£000
At start of period	100,754	(168,398)	(67,644)
Benefits paid	(4,478)	4,478	-
Current service cost	-	(5,060)	(5,060)
Contributions from the employer	4,513	-	4,513
Contributions from the employees	1,582	(1,582)	-
Interest income / (expense)	2,742	(4,576)	(1,834)
Return on assets (excluding amount included in net interest expense)	(2,429)	-	(2,429)
Actuarial gain/loss	-	17,530	17,530
At end of period	102,684	(157,608)	(54,924)

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
The return on plan assets was:		
Interest income	2,742	2,287
Return on plan assets (excluding amount included in net interest expense)	(2,429)	170
Total return on plan assets	313	2,457

The major categories of scheme assets are as follows:

UK Equities	34,116	48,396
Overseas Equities	15,560	1,122
Corporates	7,336	-
Gilts	3,147	3,140
Index Linked	17,175	19,025
Property	2,845	2,152
Insureds	297	486
Other	15,041	19,177
Cash	7,167	7,256
Total market value of assets	102,684	100,754

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

32. Accounting estimates and judgements

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

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

The liability for the UODS scheme is shown in Note 31. A formal actuarial valuation is being carried out as at 31 July 2017 and is yet to be finalised. The liabilities for these accounting disclosures have been calculated by projecting the preliminary results of that valuation to 31 July 2018 by the actuary, XPS Pensions Group, using payroll and benefit information provided by the University. The resulting liabilities have then been adjusted to reflect the different assumptions used. The accounting disclosures are therefore heavily dependent on preliminary results of the 31 July 2017 valuation and this approach is not as accurate as if the actuary had used actual census information as at 31 July 2018, but it is appropriate for the purpose of these disclosures and is in accordance with the provisions of FRS 102. Material changes to the membership profile since the 31 July 2017 valuation could result in the approximate approach producing materially inaccurate figures for the purpose of FRS 102.

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

The key actuarial assumptions as at 31 July 2018 are set out in Note 31.

b) Pensions - Universities Superannuation Scheme (USS)

USS is a multi-employer scheme and the University has entered into an agreement with the scheme that determines how the deficit will be funded. It results in recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The University has recognised the discounted fair value of the contractual contributions under the funding plan and level of contributions in existence at the date of approving the financial statements, as disclosed in Note 31.

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

The appropriate discount rate depends on the level of pensionable salaries in each future year of the recovery plan. Sensitivity of the results to the salary growth rate has been tested at 5% 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 2.16%.

c) Provisions and contingent liabilities

The University exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision. Provisions and contingent liabilities are disclosed in Notes 20 and 24 respectively.



University of Dundee

University of Dundee

Nethergate,
Dundee DD1 4HN
t: +44 (0)1382 383000
w: dundee.ac.uk

The University of Dundee is a registered Scottish Charity, No. SC015096