



Abertay
University

Annual Report and Financial Statements

for the year ended 31 July 2014



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Operating and Financial Review

Vision, Mission, Strategy

Vision

We will be a University rooted in our community, with global reach, contributing to the economic and social wellbeing of Scotland and the UK while developing areas of international excellence.

Mission

Our mission is to provide a distinctive and high-quality university education that empowers our students intellectually, socially, culturally and economically, and to generate new knowledge and learning that reinforces national competitiveness.

Strategy

The Strategic Plan for 2011-2015 highlights the University's objectives, as a vibrant and independent institution, and to continue to make a significant contribution to the achievement of the Scottish Government's agenda for post 16 further and higher education (op cit, pages 14-15).

Our 5 Key Strategic Objectives cover:

Teaching and learning; Research and knowledge exchange; Portfolio; Student Experience; and Support Services.

During the year the University has made further progress in implementing its strategic plan by approving a new Teaching & Learning Enhancement strategy; developing a new literal grading scheme and grade-point average Honours classification scheme; approving a new research strategy; establishing a Graduate School endowed with 18 pan-University postgraduate studentships (3 of which were awarded during the year ending 31 July 2014); and submitting 30% more staff members in the Research Excellence Framework 2014 than in the preceding such exercise. The two-year programme of investment in ICT facilities was completed by year-end within budget thus improving facilities for students and a new Support Enquiry Zone was approved for development, opening on 1 September 2014. Key performance indicators were approved by the governing body, showing at that time improvements in overall student satisfaction as reflected in the National Student Survey, in research citations, and in the numbers of students entering through wider access and articulation, but a failure to meet targets for recruitment of Overseas and taught postgraduate students.

Scope of the Financial Statements

The Financial Statements presented on pages 16 to 41 comprise the financial results of Abertay University, for the year to 31 July 2014.

Results for the Year

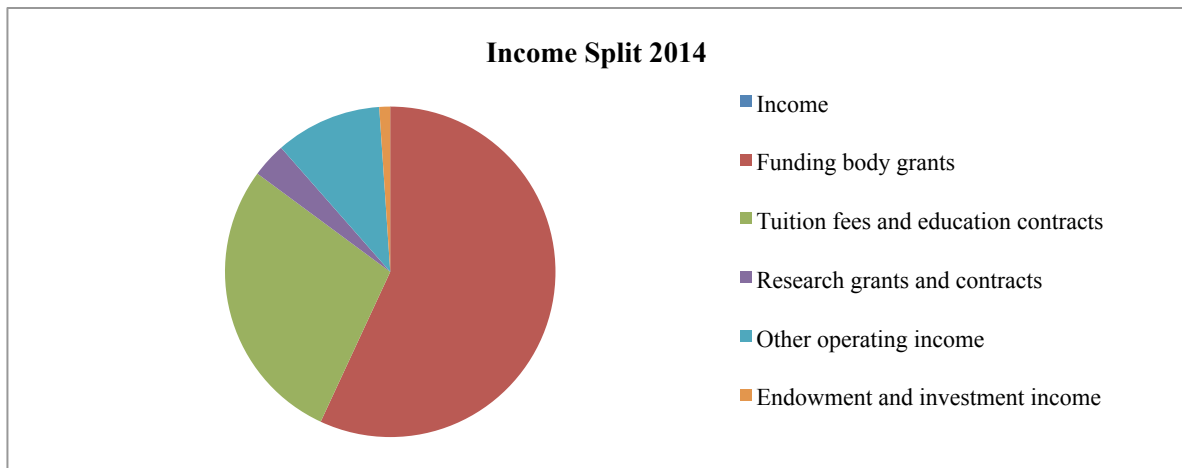
The results for the year to 31 July 2014 are summarised as follows:

	2014	2013
	£000	£000
Income	36,747	37,709
Expenditure	37,151	37,106
	<hr/>	<hr/>
(Deficit)/Surplus after depreciation of fixed assets	(404)	603
Loss on disposal of assets	-	(2)
	<hr/>	<hr/>
(Deficit)/Surplus for the year retained within general reserves	(404)	601
	<hr/> <hr/>	<hr/> <hr/>

Operating and Financial Review (*continued*)

The income and expenditure can be broken down as follows:

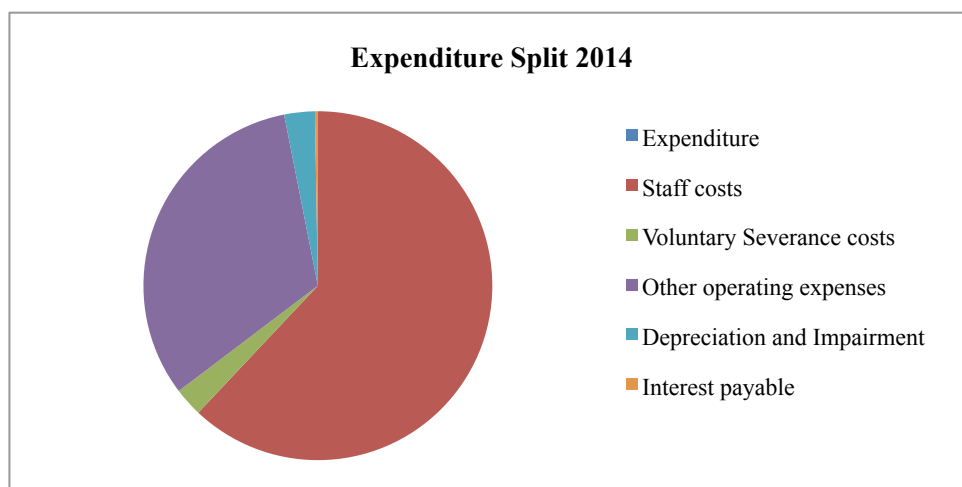
	2014	2014	2013	2013
	£000	%	£000	%
Income				
Funding Body Grants	20,914	57%	19,776	52%
Tuition fees and education contracts	10,368	28%	10,733	29%
Research grants and contracts	1,245	3%	1,544	4%
Other Operating income	3,828	11%	5,034	13%
Endowment and investment income	392	1%	622	2%
Total income	36,747	100%	37,709	100%



The total income of the University has decreased this year by £962,000 to £36,747,000 primarily due to a decrease year on year in Other Operating Income, offset by an increase in Funding Body Grants.

	2014	2014	2013	2013
	£000	%	£000	%
Expenditure				
Staff costs	23,042	62%	22,452	61%
Voluntary Severance costs	991	3%	-	-
Other operating expenses	11,965	32%	12,573	34%
Depreciation and impairment	1,053	3%	1,439	4%
Interest payable	100	0%	642	1%
Total expenditure	37,151	100%	37,106	100%

Operating and Financial Review (*continued*)



The total expenditure of the University has increased this year by £45,000 to £37,151,000. Staff costs have increased year on year with exceptional Voluntary Severance costs of £991,000. The average full time staff equivalent numbers has remained consistent at 553 in both 2012/13 and 2013/14.

The University has achieved a deficit of 1.10% of turnover this year, compared to a surplus of 1.6% in 2013.

Balance Sheet

The University has a strong Balance Sheet considering the size of the institution. The University has Net Assets of £17,904,000 (2013 - £28,891,000) and Income and Expenditure (excluding Pension) reserves of £21,104,000 (2013 - £20,915,000). The Pension reserve deficit of £12,373,000 in 2013 has increased by £10,593,000 to a deficit of £22,966,000.

Capital

This year continues with increases to Fixed Assets of £1,206,000. As a result of restricted capital funding, the University has decided to focus on maintaining the estate to as high a standard as possible with the resources available. The University completed its ICT Transformation Programme this year of £2,864,000. The programme included 4 main projects which are Classroom AV Technology; End User Computing; Network Infrastructure and Security; and Storage Backup and Servers.

Treasury and Investments

The net cash outflow from Operating Activities was £356,000 during the year. Overall the University's cash position (excluding term deposits) moved from £7,533,000 at 31 July 2013 to £6,143,000 at 31 July 2014.

The market value of listed investments held by the University has increased during the year to £8,630,506 at 31 July 2014 from £8,624,349. These are managed by independent fund managers whose performance was monitored by the Finance and Corporate Performance Committee.

Creditor Payment Policy

The University aims to pay all invoices from creditors within 30 days of the date of the invoice, in line with the CBI prompt payment policy. During 2013/14 the University paid 89.0% of invoices within 30 days, with no penalty interest incurred (2013 – 88.0%).

Operating and Financial Review (*continued*)

Pensions

The two principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme (STSS) and the Tayside Superannuation Fund (TSF). These are both defined benefit schemes.

The University has not taken the exemption permitted under FRS 17 to disclose the TSF scheme as a defined contribution scheme and has included the scheme as a defined benefit scheme. The University acknowledges the resultant volatility this will bring to the Financial Statements each year, but does recognise the liability the University would have if the scheme ceased.

The University continues to take the exemption permitted under FRS 17 to disclose the STSS Scheme as a defined contribution scheme, as STSS are not able to calculate individual employers' share of the overall deficit.

Employment of People with Disabilities

As a fundamental part of the University's Equality and Diversity Policy, the University is committed to ensuring that no individual is disadvantaged as a consequence of disability and to enhancing equality of opportunity for disabled people. In relation to the employment of people who are or who become disabled, the University is committed to ensuring that fair and open procedures are operated in respect of the recruitment, selection, deployment, training and promotion of employees.

The University has set out, in its Equality Action Plan and Equality Outcomes, a range of action to maintain and further develop its policy and practice to promote and ensure equality for disabled people. Progress with the action plan and outcomes in relation to disability is monitored through Equality and Diversity Annual Reports, which are considered by the University Court, the People, Health and Equality Committee and the Equality and Diversity Sub-committee. The University's Equality and Diversity Policy, the Action Plan and Equality Outcomes, and the Equality and Diversity Annual Reports are published on the University website.

Risk Management

The University has a risk management framework that identifies, assesses, plans and implements a risk response action for the main risks facing the University as it seeks to achieve its strategic plan. In February 2013 the University undertook a review of the eleven key risks in a risk workshop facilitated by the Internal Auditors. The risk management process is regularly monitored, reviewed and reported to the University's Audit Committee.

Charity Registration

The University of Abertay Dundee is a charity registered in Scotland, Charity Number SC016040, registered address Kydd Building, Bell Street, Dundee, DD1 1HG.



Mr D Dorward
Chair of Finance & Corporate Performance Committee

References

Abertay University Strategic Plan 2011 - 2015 available at:
<http://www.abertay.ac.uk/about/theuni/corporate/>
The Equality and Diversity policy is available at:
<http://www.abertay.ac.uk/about/theuni/diversity/>

Corporate governance statement

The University Court is the governing body of the University. The composition, functions and powers of the Court are set out in the University of Abertay Dundee (Scotland) Order of Council 1994, which incorporates parts of the Dundee College of Technology Scheme 1975. Under the Order, the objects of the University are to provide education, undertake and carry out research, make suitable and adequate provision for such activities, and conduct the affairs of the University in ways that promote its objects. The University is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the University has fully complied with the principles (in so far as they apply to the higher education sector) set out in the UK Corporate Governance Code issued in June 2010, in the Turnbull Guidance on Internal Control (2005) and in the new Scottish Code of Good HE Governance (July 2013). This Corporate governance statement covers the full financial year up to and including the date of the approval of the annual financial statements.

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

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

Court comprises lay core members, lay co-opted members, *ex officio* members and staff members with a maximum number of members of 25. Lay core members have 'experience of industrial, commercial or employment matters or the practice of any profession' and remain an absolute majority, whilst the lay co-opted membership includes at least one person having experience in each of 'local government' and 'the provision of education'. Of the 25 member, up to 18 form the lay core and co-opted, 4 are *ex officio* (Principal, 2 Vice-Principals and the President of the Students' Association) and 3 represent Senate and academic and non-academic staff.

Court, under its Order, is required to meet at least three times per year. Court met five times in the year to 31 July 2014 and the aggregate attendance rate was 76%. The table overleaf shows all members of Court and their attendance at meetings of Court and its main committees.

During the year to 31 July 2014, Court appointed two new independent Court members following a public advertisement and interview exercise. Six members attended external governor development programme events as part of their on-going training and participated in University-provided induction and briefing activity. Two new lay members of Court attended an internal formal induction session; one lay member attended an externally-provided event on 'Being an effective governor'; the Student President attended an externally-provided event on 'Students as governors'; and two further lay members attended an externally-provided event for lay members of audit committees.

Corporate governance statement (*continued*)

Court members' attendance at meetings of Court and Court Committees (to 31 July 2014)

	Court	Court Committees					
		Audit Committee	Finance & Corporate Performance Committee	Governance & Nominations Committee	Chair's Committee	Remuneration Committee	People, Health & Equality Committee
		5 meetings	5 meetings	4 meetings	4 meetings	4 meetings	1 meeting
Mr M Batho (from 01.08.2013)	5		4		3		3
Ms A Boyle + (from 01.01.2014)	2 (of 3)	0 (of 2)					
Mr J Burt OBE +	4				2 (of 3)		4
Mrs L Baxter +	3			4			
Mr R Cook (to 30.06.2014)	5		4	4			3
Ms R Donoghue (from 1.07.2014)	0 (of 0)						
Mr D Dorward +	2		3		3 (of 3)		
Mr R Fletcher + (from 01.01.2014)	3 (of 3)		1 (of 1)				
Mr E W Frizzell CB +	4			4	3	1	
Mr M Grossi +	2	1 (of 2)					
Ms Z Linton +	4						3
Mr G MacDougall +	4						4
Mr C Macdonald +	3		2				
Mr A Macmillan Douglas OBE +	1		1 (of 1)		1 (of 1)	1	
Mr D McLaren +	3	4					
Mrs A F Markham OBE + (to 31.12.2013)	2 (of 2)	2 (of 2)					
Mr J Nicholson	4						
Professor S Olivier	3				3		
Rt Rev Dr N Peyton +	4			2			
Dr J Rees +	4						2
Mr J Reid +	3	1 (of 3)	1				
Dr A Samuel	5						2
Mrs S Scott +	4			4	3	1	
Professor N Seaton	5			2	4		
Mr M Shaw +	5					1	
Mrs H Smith	5			3			
Professor E Wilson +	4	5			4	1	
Aggregate attendance level (figures for year to 31 July 2013)	76% (76%)	68% (81%)	72% (71%)	82% (78%)	84% (88%)	100% (100%)	75% (N/A)

+ *Non-executive/lay member*

Corporate governance statement (*continued*)

The Principal is the chief executive of the University with delegated powers to discharge the functions of Court relating to the management of the University and to discipline therein.

Court has formally constituted a number of Committees, all of which have clearly defined remits and the majority of which have a lay member as Chair. The major Committees are: Audit Committee; Chair's Committee; Finance & Corporate Performance Committee; People, Health & Equality Committee; Governance & Nominations Committee; and the Remuneration Committee. Court delegates to Senate its functions relating to the overall planning, co-ordination, development and supervision of the academic work of the University. Senate has formally constituted a number of committees, all of which have clearly defined remits.

The Audit Committee advises Court on all audit-related matters and assists Court in ensuring the discharge of its responsibilities for proper financial management. It is also responsible for the effectiveness of the internal control and management systems, for the efficiency and effectiveness of the University's financial activities for monitoring mechanisms designed to ensure value for money across all of the University activities and for monitoring compliance with the University's risk management framework. It received reports at each meeting on internal control and twice a year it received reports on strategic risk management. Both areas are reported upwards to Court. The Audit Committee also oversaw work by the University to review its strategic level risks.

The University does not have an in-house internal audit function, but contracts the services of an external provider, which provides access to a wider set of specialist expertise as well as benchmark data to help inform Court. The internal auditors adopt a risk-based approach to identifying future audits, taking into account the University's strategic objectives, and areas audited include core business and operational risks as well as financial risks. The internal auditors conducted nine reviews during the year ended 31 July 2014 including a review of the implementation of recommendations arising from the previous year's reviews.

The Audit Committee met five times and the aggregate attendance was 68%. The members of the Audit Committee - including one external, independent co-opted member with relevant expertise (Mr I McDonald) - for the year to 31 July 2014 were:

<i>Mr D McLaren (Chair)</i>	<i>Mr I McDonald</i>
<i>Ms A Boyle (from 8 April 2014)</i>	<i>Mr J Reid (until 7 April 2014)</i>
<i>Mr M Grossi (from 8 April 2014)</i>	<i>Professor E Wilson</i>
<i>Mrs A F Markham OBE (until 31 December 2013)</i>	

The Chair's Committee acts in the name of Court in cases of urgency, subject to any decision being reported to the next meeting of Court. The Chair's Committee held four meetings in the session and the aggregate attendance was 84%. The members of this Committee for the year to 31 July 2014 were:

<i>Mr E W Frizzell CB (Chair)</i>	<i>Professor S Olivier</i>
<i>Mr M Batho</i>	<i>Mrs S Scott</i>
<i>Mr J Burt OBE</i>	<i>Professor N Seaton</i>
<i>Mr D Dorward</i>	<i>Professor E Wilson</i>

The Finance & Corporate Performance Committee oversees and supervises the receipt, expenditure and control of all revenues. It advises Court on all strategic financial matters. The Committee met four times and aggregate attendance was 71%. The Committee also supervises and reviews the financial administration of the University. It has one independent co-opted member, Mr A Randall. The members of the Finance & Corporate Performance Committee for the year to 31 July 2014 were:

<i>Mr A Macmillan Douglas OBE (Chair to 30 September 2013)</i>	<i>Mrs W Grant</i>
<i>Mr D Dorward (Chair from 1 October 2013)</i>	<i>Mr C Macdonald (from 15 March 2013)</i>
<i>Mr M Batho</i>	<i>Mr A Randall</i>
<i>Mr R Cook</i>	<i>Mr J Reid</i>
<i>Mr R Fletcher (from 19 February 2014)</i>	<i>Mr I Simpson</i>

Corporate governance statement (*continued*)

The People, Health & Equality Committee oversees the development of HR strategy and policies. It also oversees equality and diversity and health and safety matters relating to students and staff. The Committee met four times and aggregate attendance was 75%. The members of the Committee for the year to 31 July 2014 were:

<i>Mr J Burt OBE (Chair)</i>	<i>Ms Z Linton</i>
<i>Mr M Batho</i>	<i>Mr G MacDougall</i>
<i>Mr R Cook</i>	<i>Dr J Rees</i>
<i>Mr D Dalziel (to 3 February 2014)</i>	<i>Dr A Samuel</i>
<i>Ms E Fraser (from 4 February 2014)</i>	<i>Ms C Summers</i>

The Equality & Diversity Sub-Committee is responsible for all aspects of the University's equal opportunities policies and procedures and reporting thereon. The members of the Equality & Diversity Sub-Committee for the year to 31 July 2014 were:

<i>Mr J Nicholson (Chair)</i>	<i>Mr A Milne</i>
<i>Mrs S Baillie</i>	<i>Dr K Oduyemi</i>
<i>Mr R Cook</i>	<i>Mrs M Oduyemi</i>
<i>Mr D Dalziel</i>	<i>Mr T Peile</i>
<i>Dr Y Deeni</i>	<i>Mr R Smith</i>
<i>Dr M Egan</i>	<i>Mrs S Stewart</i>
<i>Dr C Fraser</i>	<i>Mrs M Wheldon-Johns</i>
<i>Mrs M Guild</i>	<i>Dr A Winter</i>

The Health & Safety Sub-Committee oversees all matters relating to the safety and health of staff, students and other persons within the University environment. The members of the Health & Safety Sub-Committee for the year to 31 July 2014 were:

<i>Mrs S Stewart (Chair)</i>	<i>Professor S Hotho</i>
<i>Professor A Adya</i>	<i>Mrs S Jeffrey</i>
<i>Mr M Batho</i>	<i>Dr G Lund</i>
<i>Mr B Blackstock (until 31 December 2013)</i>	<i>Miss E McPhee</i>
<i>Dr D Blackwood (from 15 May 2014)</i>	<i>Professor L Natanson</i>
<i>Mr G Burke</i>	<i>Dr C Ozveren</i>
<i>Ms A Cameron</i>	<i>Mr C Rae</i>
<i>Dr P Collier</i>	<i>Mr I Simpson</i>
<i>Mr R Cook</i>	<i>Mrs H Smith (from 1 January 2014)</i>
<i>Mr D Dalziel</i>	<i>Mr R Smith</i>
<i>Mr P Forte</i>	<i>Mr M Turpie</i>
<i>Mr F Greig</i>	<i>Ms Y Wharton</i>
<i>Mrs M Guild</i>	<i>Dr N White</i>

The Governance & Nominations Committee's purpose is, *inter alia*, to consider and bring forward recommendations in relation to issues relating to good practice in institutional governance. It also, from June 2013, acts as a Nominations Committee, considering recommendations for the appointment of lay core and co-opted members to Court, which are then referred to Court. The Committee met four times and aggregate attendance was 82%. The members of the Governance & Nominations Committee to 31 July 2014 were:

<i>Mrs S Scott (Chair)</i>	<i>Rt Rev Dr N Peyton</i>
<i>Mrs L Baxter</i>	<i>Professor N Seaton</i>
<i>Mr R Cook</i>	<i>Mrs H Smith</i>
<i>Mr E W Frizzell CB</i>	

Corporate governance statement (*continued*)

The Remuneration Committee, which met once in the financial year with 100% attendance, comprises lay core members of Court and considers and determines the levels of salary and terms and conditions of service of senior staff. The members of the Remuneration Committee for the year to 31 July 2014 were:

Mr M Shaw (Chair from 16 October 2013)
Mr E W Frizzell CB (Chair until 15 October 2013)
Mr D Dorward (from 1 October 2013)

Mr A MacMillan Douglas OBE (until 30 September 2013)
Mrs S Scott
Professor E Wilson

The University Court, through its Governance & Nominations Committee, carries out regular reviews of its effectiveness. The last effectiveness review took place in session 2011/12 and was conducted by a consultant working under the auspices of the UK Leadership Foundation for Higher Education. A report was presented to Court at its meeting in June 2012. The overall conclusion was that the University had an effective governance structure with a strong working relationship between the Court and the University's Executive. A number of recommendations were made to support the further enhancement of the structure and arrangements and Court accepted these in full and they were all implemented during session 2012/13. As part of the implementation exercise, the Statement of Primary Responsibilities of Court was discussed, debated and revised. Court also reflects annually on its effectiveness through various means including through individual discussions between the Chair and members; and through the work of the Governance & Nominations Committee in continually developing corporate governance to ensure that it is aligned with good practice. In session 2013/14, Court agreed an implementation plan created in response to the new Scottish Code of Good HE Governance. 20 matters were identified and, at the end of the session, 18 of these had been implemented. Those not yet implemented could not yet be actioned as they relate to matters happening in the future. The University is committed to implementing all required changes in full.

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

1. To approve the mission and strategic vision of the University, long-term academic and business plans and key performance indicators (KPIs); to ensure that these meet the interests of stakeholders; and to ensure that there are opportunities for Court to provide strategic input in the development of key strategies and long-term plans such that their approval can be considered by Court without conflict of interest.
2. To appoint a Principal and Vice-Chancellor as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
3. To appoint a secretary to Court and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability.
4. To delegate authority to the Principal and Vice-Chancellor of the University, as chief executive, for the academic, corporate, financial, estate and personnel management of the University; and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.
5. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and 'whistle-blowing' complaints and for managing conflicts of interest.
6. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
7. To establish processes to monitor and evaluate the performance and effectiveness of Court itself.
8. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
9. To safeguard the good name and values of the University.
10. To be the employing authority for all staff in the University and to approve a human resources strategy.
11. To ensure that non-discriminatory systems are in place to provide equality and diversity of opportunity for staff and students.

Corporate governance statement (*continued*)

12. To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
13. To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
14. To make such provision as it thinks fit for the general welfare of students, in consultation with Senate.
15. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
16. To ensure that the University's constitution is followed at all times and that appropriate advice is available to enable this to happen.

There were no changes to the other significant commitments of the Chair of the Court during the year.

The strategic development of the University involves development of a strategic plan; initially produced by the management group, then considered by Senate, Finance & Corporate Performance Committee and, finally, by Court. Court holds regular conferences at which strategic development issues are discussed and receives regular updates on implementation of objectives. In the year to 31 July 2014, Court was involved in scenario planning, strategic workshops and discussions around the development of the next University Strategic Plan for the period 2015-2020, which was approved in December 2014.

Going concern

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

Signed by



Mr Edward W Frizzell CB
Chair, University Court

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

Responsibilities of the University Court

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

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, The Further and Higher Education (Scotland) Act 2005, Scottish Funding Council Accounts Direction and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of the University of Abertay Dundee, the University Court, through its designated office holder, 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, the Court has to ensure that:

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

The Court has a responsibility to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Court;

Responsibilities of the University Court (*continued*)

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance, People and General Purposes Committee; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Court. The Internal Audit team provides a report of internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

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

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

Independent auditors' report to the Court of Abertay University (the "institution")

Report on the financial statements

Our opinion

In our opinion, the financial statements defined below:

- give a true and fair view of the state of the institution's affairs as at 31 July 2014 and of the institution'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 requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and regulation 14 of The Charities (Accounts and Reports) Regulations 2008.

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

What we have audited

The financial statements which are prepared by Abertay University comprise:

- the Balance Sheet as at 31 July 2014;
- the Income and Expenditure Account for the year then ended;
- the Statement of Total Recognised Gains and Losses for the year then ended;
- the Cash Flow statement for the year then ended; and
- the notes to the financial statements and other explanatory information.

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

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

What an audit of financial statements involves

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

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

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

Independent auditors' report to the Court of Abertay University (*continued*)

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

In our opinion, in all material respects:

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

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

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

Responsibilities for the financial statements and the audit

Respective responsibilities of the Court and auditors

As explained more fully in the Statement of Responsibilities of the University Court, set out on page 12-13, the Court (who are also charitable trustees for the purposes of charity law) are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Court in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and Regulation 30 of The Charities (Accounts and Reports) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
17 December 2014

Independent auditors' report to the Court of Abertay University (*continued*)

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

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

Statement of principal accounting policies

Basis of Preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting in Further and Higher Education (2007)* and in accordance with applicable Accounting Standards in the United Kingdom. They conform to the Accounts Direction for Scotland's colleges and universities published by the Scottish Funding Council.

Basis of accounting

The accounting policies selected follow the principles laid out in FRS 18 and have been applied consistently in dealing with items considered material in relation to the financial statements. The financial statements are prepared on a going concern basis, as well as on an accruals basis and using the historical cost convention, as modified by the revaluation of endowment investments, fixed asset investments and land and buildings. They have been prepared using the principle of "substance over form".

Recognition of Income

Scottish Funding Council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account over the period in which the students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

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

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

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

Taxation

The University is a charity within the meaning of Part 1, chapter 2, s7 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 therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Institution receives no similar exemption in respect of Value Added Tax. 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.

Statement of principal accounting policies (*continued*)

Tangible Fixed Assets, Capital Grants and Depreciation

Land and buildings are stated at cost or 1994 valuation less accumulated depreciation. Freehold land is not depreciated. All other categories of fixed assets are held at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Following the introduction of FRS 15, the University has followed the transitional arrangements to retain the net book value of land and buildings which were revalued in 1994, and does not intend to carry out regular revaluations of these assets in the future. The main element of the cost of the buildings capitalised was funded from grants provided mostly by government which are treated as deferred capital grants. A Revaluation Reserve was created for the excess of the 1994 valuation over original cost. These amounts are released to income over the expected useful life of the assets. Grants in relation to subsequent land and buildings purchases are treated as deferred capital grants and released to income over the expected useful life of the land and buildings.

Equipment, furniture and coherent packages of equipment costing £10,000 or more have been capitalised and depreciation charged in accordance with agreed rates, except for research assets funded through specific external grants, where the threshold is £50,000. Any related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the equipment.

Straight-line depreciation has been provided from 1 August 1994 at the following rates:

Buildings	2% of cost or valuation
General Equipment	20%
Computer Specialist Equipment	33%

The depreciation charged in respect of revalued buildings for the year to 31 July 2014 has been transferred from the Revaluation Reserve to the Income and Expenditure Account.

Fixed Asset and Current Asset Investments

Fixed Asset Unlisted Investments are included at cost, except where there is evidence of a permanent diminution in value.

Current Asset Investments, which are entirely in the form of listed securities, are included in the Balance Sheet at the lower of their original cost or net realisable value.

Endowment Asset Investments

The heritable property and investments that form part of Endowment Assets are included in the Balance Sheet at market value, apart from the property held by the University which has not been revalued since 2004.

Stocks

Stocks of catering supplies are valued at the lower of cost or net realisable value on the basis of first in first out (FIFO). Where necessary, provision is made for slow-moving stock.

Cash Flows

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable if they are in practice available within 24 hours without penalty. Liquid

Statement of principal accounting policies (*continued*)

Cashflows (*continued*)

resources comprise assets held as a readily disposable store of value. They include deposits, government securities and loan stock held as part of the University's treasury management activities.

Foreign Currencies

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

Financial Instruments

Financial Instruments are recognised on the balance sheet when an obligation is identified and released as that obligation is fulfilled. Cash, debtors, creditors and borrowing are held at cost. Measurement of investments is discussed above.

Accounting for Charitable Donations

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

Charitable donations which are expendable with no restrictions placed on the University by the donor on the application of the donation are recognised as in the income and expenditure account during the year of receipt.

Provisions

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Operating Leases

Operating lease payments are expensed in the period in which they relate.

Endowment Funds

Where charitable donations are restricted to a particular objective specified by the donor or where the capital element must be maintained, these are accounted for as an endowment on the balance sheet. There are three main types:

Unrestricted Permanent Endowments – the donor prescribes that the capital element of the donation must be maintained but the income earned thereon is expendable with no restriction placed on its application by the University.

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

Restricted Expendable Endowments – there is no requirement to maintain the capital element but the income received is only expendable against the objectives specified by the donor.

Where donations must be applied to the purchase and / or construction of tangible fixed assets then these are recognised as a deferred capital grant on the balance sheet.

Statement of principal accounting policies (*continued*)

Pension Schemes

The two principal pension schemes for the University staff are:

- (i) The Scottish Teachers Superannuation Scheme (STSS); and
- (ii) The Tayside Local Government Pensions Fund (TSF)

Pension costs for TSF are assessed on the latest actuarial valuation of the Scheme and are accounted for on the basis of FRS 17. The post retirement benefit surplus or deficit is included on the University's balance sheet. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The current service cost and any past service costs are included in the income and expenditure account within operating expenses and the expected return on the schemes' assets, net of the impact of unwinding of the discount on scheme liabilities, is included within other Finance income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised in the statement of total recognised gains and losses.

STSS is a multi-employer scheme, for which contributions are charged directly to the income and expenditure account as if the scheme was a defined contribution scheme. Because of the mutual nature of the scheme, the schemes assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the scheme as if it were a defined benefit scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting year.

Maintenance of Premises

The University has a policy of carrying out routine corrective maintenance, which is charged to the Income and Expenditure Account as incurred. Major alterations, repair and/or maintenance works are met from recurrent grant.

Income and expenditure account
for the year ended 31 July 2014

	<i>Note</i>	2014 £000	2013 £000
Income			
Funding body grants	<i>1</i>	20,914	19,776
Tuition fees and education contracts	<i>2</i>	10,368	10,733
Research grants and contracts	<i>3</i>	1,245	1,544
Other income	<i>4</i>	3,828	5,034
Endowment and investment income	<i>5</i>	392	622
		<hr/>	<hr/>
Total income		36,747	37,709
		<hr/>	<hr/>
Expenditure			
Staff costs	<i>6</i>	23,042	22,452
Voluntary Severance costs	<i>6</i>	991	-
Other operating expenses	<i>7</i>	11,965	12,573
Depreciation	<i>8</i>	1,053	1,439
Interest and other finance costs	<i>9</i>	100	642
		<hr/>	<hr/>
Total expenditure	<i>8</i>	37,151	37,106
		<hr/>	<hr/>
(Deficit)/Surplus after depreciation of fixed assets		(404)	603
Disposal of fixed assets		-	(2)
		<hr/>	<hr/>
(Deficit)/Surplus after depreciation of fixed assets and disposal of assets		(404)	601
		<hr/>	<hr/>
(Deficit)/Surplus for the year retained within general reserves		(404)	601
		<hr/> <hr/>	<hr/> <hr/>

The income and expenditure account is in respect of continuing activities.

Statement of historical cost surpluses for year ended 31 July 2014

		2014 £000	2013 £000
(Deficit)/Surplus for the financial year	<i>19</i>	(404)	601
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount		107	107
		<hr/>	<hr/>
Historical (Deficit)/Surplus for the year		(297)	708
		<hr/> <hr/>	<hr/> <hr/>

Statement of total recognised gains and losses
for the year ended 31 July 2014

	<i>Note</i>	2014	2013
		£000	£000
(Deficit)/Surplus after depreciation of assets and disposal of assets		(404)	601
Endowment income released for year	<i>12</i>	(66)	(113)
Appreciation of endowment asset investments	<i>12</i>	6	90
Actuarial (Loss)/Gain in respect of Pension Scheme	<i>24</i>	(10,106)	6,305
		<hr/>	<hr/>
Total recognised (losses)/gains relating to the year		(10,570)	6,883
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation			
Opening reserves and endowments		13,013	6,130
Total recognised (Losses)/Gains relating to the year		(10,570)	6,883
		<hr/>	<hr/>
Closing reserves and endowments		2,443	13,013
		<hr/> <hr/>	<hr/> <hr/>

Balance sheet
at 31 July 2014

	<i>Note</i>	2014	2013
		£000	£000
Fixed assets			
Tangible assets	<i>10</i>	32,083	31,930
Investments	<i>11</i>	25	25
		32,108	31,955
Endowment assets	<i>12</i>	913	973
Current assets			
Stock	<i>13</i>	28	28
Debtors	<i>14</i>	1,259	1,463
Investments	<i>11</i>	7,005	7,018
Cash at bank and in hand		6,206	7,568
		14,498	16,077
Less : Creditors: amounts falling due within one year	<i>15</i>	(6,649)	(7,741)
Net current assets		7,849	8,336
Total assets less current liabilities		40,870	41,264
Net assets excluding Pension Liability		40,870	41,264
Net Pension Liability		(22,966)	(12,373)
Net assets including Pension Liability		17,904	28,891

Balance sheet (continued)
at 31 July 2014

	<i>Note</i>	2014	2013
		£000	£000
Deferred capital grants	<i>17</i>	15,462	15,878
Endowment Funds			
	<i>18</i>	913	973
Reserves			
Income and Expenditure account excluding pension reserve		21,104	20,915
Pension Reserve	<i>19</i>	(22,966)	(12,373)
Income and Expenditure account including pension reserve	<i>19</i>	(1,862)	8,542
Revaluation reserve	<i>19</i>	3,391	3,498
		<hr/>	<hr/>
		1,529	12,040
		<hr/>	<hr/>
Total funds		17,904	28,891
		<hr/> <hr/>	<hr/> <hr/>

These financial statements on pages 16 to 41 were approved by Court on 17 December 2014 and were signed on its behalf by:



Professor Nigel Seaton
Principal & Vice-Chancellor



Mr Edward Frizzell
Chair, University Court



Mrs Wendy Grant
Head of Finance

Cash flow statement
for the year ended 31 July 2014

	<i>Note</i>	2014 £000	2013 £000
Cash (outflow)/inflow from operating activities	21	(356)	1,764
<hr/>			
Returns on investments and servicing of finance			
Income from endowments		66	30
Income from current asset investments		269	252
Other interest received		42	72
Interest paid	9	-	(372)
<hr/>			
Cash inflow/(outflow) from returns on investments and servicing of finance		377	(18)
<hr/>			
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		(1,206)	(464)
Capital grants received		(15)	(565)
Endowments expenditure		(131)	(143)
<hr/>			
Cash outflow from capital expenditure and financial investments		(1,353)	(1,172)
<hr/>			
Management of liquid resources			
Purchase of current asset investments		185	1,532
Sale of current asset investments		(215)	(970)
<hr/>			
Cash (outflow)/inflow from management of liquid resources		(30)	562
<hr/>			
Cash (outflow)/inflow before financing		(1,362)	1,136
<hr/>			
Financing			
Repayment of loan		-	(1,863)
<hr/>			
Cash outflow from financing		-	(1,863)
<hr/>			
(Decrease) in cash	22	(1,362)	(727)
		<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

1 Funding body grants

	2014 £000	2013 £000
SFC Recurrent grant :		
Teaching Grant	17,114	17,238
Research Grant	772	735
Non-recurrent grants	2,851	1,594
Deferred capital grants released in year:		
Buildings (note 17)	177	177
Equipment (note 17)	-	32
	<hr/> 20,914	<hr/> 19,776
	<hr/> <hr/>	<hr/> <hr/>

2 Tuition fees and education contracts

	2014 £000	2013 £000
Scottish student fees	6,777	7,048
RUK student fees	886	557
EU student fees (excluding UK)	1,023	916
Non-EU student fees	1,643	2,145
Other fees	39	67
	<hr/> 10,368	<hr/> 10,733
	<hr/> <hr/>	<hr/> <hr/>

3 Research grants and contracts

	2014 £000	2013 £000
Research councils	214	192
UK charities	183	343
UK government	653	550
UK industry	42	102
EU	59	244
Other	94	113
	<hr/> 1,245	<hr/> 1,544
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (*continued*)

4 Other income

	2014	2013
	£000	£000
Residences and catering	957	1,246
Other income-generating activities	245	341
Other grant income	595	610
Releases from deferred capital grants	255	255
Other income	838	1,504
Student centre	938	1,057
Accumulation in value of current asset investments	-	21
	3,828	5,034
	3,828	5,034

5 Endowment and investment income

	2014	2013
	£000	£000
Income from endowment asset investments (note 18)	30	30
Income from current asset investments	269	252
Gain on disposal of current asset investments	51	268
Other interest receivable	42	72
	392	622
	392	622

6 Staff numbers and costs

The average number of persons employed by the University during the year, expressed as full time equivalents, was:

	2014	2013
	Number	Number
Senior management	14	11
Academic Departments	218	205
Academic Services	63	61
Research grants and contracts	24	37
Administration	96	93
Premises	58	58
Other	39	41
Catering and residences	11	12
Student Centre	30	35
	553	553
	553	553

Notes to the financial statements (*continued*)

6 Staff numbers and costs (*continued*)

Staff costs for the above persons:

	2014	2013
	£000	£000
Senior management	1,446	1,256
Academic Departments	10,478	10,058
Academic Services	2,209	2,099
Research grants and contracts	700	1,181
Administration	3,980	3,625
Premises	1,401	1,466
Other	1,545	1,487
Residences and catering	261	293
Student Centre	634	617
FRS 17 current service cost adjustment	388	370
Voluntary Severance Costs	991	-
	24,033	22,452
	24,033	22,452

Classified as:

Wages and salaries	18,889	18,486
Social security costs	1,427	1,413
Other pension costs	2,726	2,553
Voluntary Severance costs	991	-
	24,033	22,452
	24,033	22,452

Costs of higher paid employee:

Remuneration paid to the Principal (Professor N Seaton) during the year including salary and other taxable benefits (2013 – Principal started on 20 August 2012)	165	155
Employer's contribution to pension	26	24
	191	179
	191	179

Remuneration excluding severance payments, employer's contributions to National Insurance and superannuation schemes, paid to other staff:

	2014	2013
	Number	Number
£70,001 - £80,000	11	10
£80,001 - £90,000	1	1
£110,001 - £120,000	2	-
£130,001 - £140,000	-	1
£160,001 - £170,000	-	1

Notes to the financial statements (*continued*)

6 Staff numbers and costs (*continued*)

Remuneration, excluding employer's contribution to National Insurance and superannuation schemes paid to Executive officers during 2013/14 were :

	Salary Banding
Principal: Professor N Seaton	£160,001-£170,000
Vice Principal (Academic): Professor S Olivier	£110,001-£120,000
Vice Principal (University Services): Mr M Batho	£110,001-£120,000
University Secretary: Mrs S Stewart	£70,001-£80,000

Expenses payable to the Executive Team of the University for out of pocket expenses were as follows:

	2014 £000	2013 £000
Travel costs	6	4
Subsistence	1	1
	7	5
	=	=

During the year ended 31 July 2014 compensation arrangements applied to 1 senior member of staff (2013 – 1) earning in excess of £70,000.

The terms for the compensation for loss of office were negotiated on an individual basis and were approved by the University Court.

7 Other operating expenses

	2014 £000	2013 £000
Residences and catering	610	775
Equipment and consumables	2,482	3,897
Books and periodicals	480	462
Scholarships prizes and other endowment expenditure	30	30
Property costs including utilities	835	892
Repairs and general maintenance	2,349	1,243
Abertay University Students' Association	221	171
External auditors' remuneration – external audit	46	38
Internal auditors' remuneration – internal audit	34	40
Diminution in value of current asset investments	40	-
Travel and staff training	648	570
Professional fees	730	755
Advertising, marketing and public relations	415	468
Administration costs	542	521
Other expenses	1,755	1,891
Student Centre	748	820
	11,965	12,573
	11,965	12,573

Notes to the financial statements (*continued*)

8 Analysis of expenditure by activity

	Staff costs £000	Depreciation and Impairment £000	Other Operating Expenses £000	Interest Payable £000	Total 2014 £000	Total 2013 £000
Academic departments	10,846	20	585	-	11,451	11,293
Academic services	2,209	154	1,534	-	3,897	4,617
Research grants and contracts	700	3	420	-	1,123	1,775
Residences and catering	261	167	610	-	1,038	1,264
Premises	1,401	607	3,666	-	5,674	4,994
Administration	5058	-	2,643	-	7,701	7,086
Other	1,545	14	1,756	-	3,315	3,874
Student centre	634	88	751	-	1,473	1,563
FRS 17 Current service cost adjustment	388	-	0	100	488	640
Voluntary Severance Costs	991	-	-	-	991	-
Total	24,033	1,053	11,965	100	37,151	37,106

The depreciation and impairment charge has been funded by:

	2014 £000	2013 £000
Deferred capital grant released	431	464
Revaluation reserve transferred	107	107
General income	515	868
	1,053	1,439

9 Interest payable

	2014 £000	2013 £000
On bank loans Repayable wholly or partly in more than 5 years	-	372
Net Interest charge on Pension Scheme	100	270
	100	642

Notes to the financial statements *(continued)*

10 Tangible assets

	Freehold land and Buildings	General Equipment	Computer Specialist Equipment	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 August 2013				
Valuation 1994	16,104	-	-	16,104
Cost	25,959	2,194	2,450	30,603
Additions at cost	15	74	1,117	1,206
Disposals at cost	-	(159)	(524)	(683)
At 31 July 2014				
Valuation 1994	16,104	-	-	16,104
Cost	<u>25,975</u>	<u>2,109</u>	<u>3,043</u>	<u>31,127</u>
At 31 July 2014	<u>42,078</u>	<u>2,109</u>	<u>3,043</u>	<u>47,230</u>
Accumulated Depreciation				
At 1 August 2013	10,450	2,007	2,320	14,777
Charge for year	817	82	154	1,053
Impairment	-	-	-	-
Eliminated in respect of disposals	-	(159)	(524)	(683)
At 31 July 2014	<u>11,267</u>	<u>1,930</u>	<u>1,950</u>	<u>15,147</u>
Net Book Value				
At 31 July 2014	<u>30,811</u>	<u>179</u>	<u>1,093</u>	<u>32,083</u>
At 31 July 2013	<u>31,613</u>	<u>187</u>	<u>130</u>	<u>31,930</u>

Buildings with a net book value of £21,333,000 and cost of £25,502,000 have been funded mostly from Treasury sources. Should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

Notes to the financial statements (*continued*)

11 Fixed asset and current asset investments

	2014	2013
	£000	£000
Fixed Asset Investments		
Unlisted investment		
At 1 August	25	25
	<hr/>	<hr/>
At 31 July	25	25
	<hr/> <hr/>	<hr/> <hr/>

Unlisted investments are included at cost less provision for permanent diminution in value. The cost of these were £25,000 and no diminution in value is deemed necessary. The investment is in CVCP Properties plc.

	2014	2013
	£000	£000
Current Asset Investments – listed securities		
At 1 August	7,018	6,695
Additions	215	1,266
Disposals	(185)	(970)
Appreciation on disposals/ revaluation	(43)	27
	<hr/>	<hr/>
At 31 July	7,005	7,018
	<hr/> <hr/>	<hr/> <hr/>

The market value of the above current asset investments is £8,630,506 (2013 - £8,624,349). Court members believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the financial statements (*continued*)

12 Endowment assets

	2014	2013
	£000	£000
At 1 August	973	996
Appreciation of endowment asset investments (note 18)	6	90
Endowment income released for year	(66)	(113)
	913	973
	913	973
At market value:		
Equities (listed)	920	913
Land and property	130	130
	1,050	1,043
Balances held by the University	(137)	(70)
	913	973
	913	973

The land and property included above relates to a property that was donated to the University. This property was revalued at 31 July 2004 on the advice of a firm of chartered surveyors.

13 Stock

	2014	2013
	£000	£000
Stock	28	28
	28	28
	28	28

14 Debtors

	2014	2013
	£000	£000
Trade debtors	522	478
Debts due from students	35	55
Prepayments and accrued income	702	930
	1,259	1,463
	1,259	1,463

Notes to the financial statements (*continued*)

15 Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	647	1,165
Other creditors	543	1,979
Social security and other taxation payable	473	430
Accruals and deferred income	4,986	4,167
	6,649	7,741
	6,649	7,741

16 Provisions for liabilities

	2014	2013
	£000	£000
Opening Balance at 1 August	-	291
Movement in provision	-	(291)
	-	-
Closing Balance at 31 July	-	-

Other provisions in 2013 include the likely settlement of funds in relation to costs relating to overseas students. This was found to be no longer required during 2013.

Notes to the financial statements (*continued*)

17 Deferred capital grants

	Funding Council £000	Other grants £000	Total £000
Balance at 1 August 2013			
Buildings	7,255	8,623	15,878
Equipment	-	-	-
	<hr/>	<hr/>	<hr/>
Total	7,255	8,623	15,878
	<hr/>	<hr/>	<hr/>
Cash received			
Buildings	-	-	-
Equipment	15	-	15
	<hr/>	<hr/>	<hr/>
Total	15	-	15
	<hr/>	<hr/>	<hr/>
Released to income and expenditure account:			
Buildings (note 1)	177	254	431
Equipment (note 1)	-	-	-
	<hr/>	<hr/>	<hr/>
Total (note 8)	177	254	431
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2014			
Buildings	7,078	8,369	15,447
Equipment	15	-	15
	<hr/>	<hr/>	<hr/>
Total	7,093	8,369	15,462
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18 Endowment Funds

	Permanent £000	Expendable £000	2014 £000	2013 £000
Opening Balance at 1 August	673	300	973	996
Appreciation of endowment Assets	3	3	6	90
Income for year	19	47	66	30
Expenses for year	<u>(127)</u>	<u>(5)</u>	<u>(132)</u>	<u>(143)</u>
Closing Balance at 31 July	<u>568</u>	<u>345</u>	<u>913</u>	<u>973</u>
Represented by :				
Scholarship funds	24	53	77	75
Prize funds	54	71	125	110
Other funds	<u>490</u>	<u>221</u>	<u>711</u>	<u>788</u>
	<u>568</u>	<u>345</u>	<u>913</u>	<u>973</u>

Notes to the financial statements (*continued*)

19 Funds and reserves

Income and Expenditure Reserve

	2014	2013
	£000	£000
Opening Balance at 1 August	8,542	1,529
(Deficit)/Surplus for year	(404)	601
Transfer from Capital	107	107
Revaluation Reserve		
Actuarial (loss)/gain on pension scheme	(10,107)	6,305
	(1,862)	8,542
	(1,862)	8,542

Capital Revaluation Reserve

	2014	2013
	£000	£000
Opening Balance at 1 August	3,498	3,605
Transfer to Income and Expenditure Reserve	(107)	(107)
	3,391	3,498
	3,391	3,498

Pension Reserve

	2014	2013
	£000	£000
Opening Balance at 1 August	(12,373)	(18,037)
Current Service Cost	(2,000)	(1,858)
Employer Contributions	1,442	1,321
Unfunded pension payments	172	168
Other Finance Income	(100)	(270)
Settlements and Curtailments	-	(2)
Actuarial (losses)/gain	(10,107)	6,305
	(22,966)	(12,373)
	(22,966)	(12,373)

20 Capital commitments

	2014	2013
	£000	£000
Contracted but not provided for	825	1,701
	825	1,701

Notes to the financial statements (*continued*)

21 Reconciliation of consolidated surplus to net cash inflow from operating activities

	2014	2013
	£000	£000
(Deficit)/Surplus for the year	(404)	601
Interest receivable (note 5)	(42)	(72)
Interest payable (note 9)	-	372
Income from current asset investments	(268)	(252)
Depreciation and impairment charges	1,053	1,439
Gain on disposal of current asset investments	(43)	(268)
Appreciation of endowments	6	90
Appreciation on disposals/revaluation of endowment asset investments	-	(90)
Decrease in value of current asset investments	-	(21)
Increase in stock and work in progress	-	(3)
Decrease in debtors	203	27
(Decrease)/Increase in creditors	(1,094)	111
Decrease in provisions	488	291
Release of deferred grant (note 17)	(255)	(463)
Loss on disposal of fixed assets	-	2
	(356)	1,764
	(356)	1,764

22 Reconciliation of net cash flow to movement in net funds

	2014	2013
	£000	£000
Decrease in cash in year	(1,362)	(727)
Cash used to decrease liquid resources	(30)	562
Cash outflow from debt financing	-	1,863
	(1,392)	1,698
Change in net funds resulting from cash flows	(1,392)	1,698
Other non-cash change	17	(152)
	(1,375)	1,546
Movement in net funds in the year	(1,375)	1,546
Opening net funds	14,586	13,040
	13,211	14,586
	13,211	14,586

Notes to the financial statements (*continued*)

23 Analysis of changes in net funds

	At 1 August 2013 £000	Cash flow £000	Other non-cash change £000	At 31 July 2014 £000
Cash in hand	7,533	(1,390)	-	6,143
Term deposits	35	28	-	63
	<hr/>	<hr/>	<hr/>	<hr/>
	7,568	(1,362)	-	6,206
Current asset investments	7,018	(30)	17	7,005
	<hr/>	<hr/>	<hr/>	<hr/>
	14,586	(1,392)	17	13,211
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

24 Pension costs

The two principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme (STSS) and the Tayside Superannuation Fund (TSF). Both schemes are of a defined benefit type and are subject to independent actuarial valuations using the projected unit method. This determines the contribution rates payable by the University.

During the year to 31 July the total cost of these pension arrangements for the University was:

	2014 £000	2013 £000
STSS	1,225	1,184
TSF	1,440	1,320
USS	61	49
	<hr/>	<hr/>
Total pension cost	2,726	2,553
	<hr/> <hr/>	<hr/> <hr/>

The total pension cost for the University was £2,726,000 (2013 - £2,553,000), this includes £181,000 (2013 - £155,000) of outstanding contributions at the balance sheet date.

The latest actuarial valuation of the STSS received from the Scottish Public Pensions Agency (Formerly the Scottish Office Pensions Agency) is as at 31 March 2009. Employer contribution rates are reviewed every 5 years and following the scheme valuation by the Government Actuary contribution rates from 1 April 2009 were set at 14.9%. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred and they reflect past experience of the scheme. The employers' contribution was 14.9% throughout the year. The employees' contribution varied between 6.4% and 11.2% throughout the year dependent on annual salary. Because the University is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits', the above scheme is accounted for as if it were a defined contribution scheme.

The last actuarial valuation of the TSF (as at 31 March 2011), was based on assumptions of a nominal 6.9% return on investments, a 5.0% rate of increase in salaries and a 3.0% rate of increase in pensions. The valuation revealed a market value of assets of £1.9bn. It also revealed liabilities of the fund of

Notes to the financial statements (*continued*)

Pension costs (*continued*)

£1.9bn, indicating a net deficit in funding of £35.8m. Employer contributions have remained at 18% during the course of the year and employees contributions were variable based on salary. The University in 2013 has restated its Financial Statements to account for the TSF under the provisions of FRS 17 as a defined benefit scheme.

Composition of the scheme

The University operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 July 2014 by a qualified actuary. The major assumptions used by the actuary were:

	31/7/14	31/7/13	31/7/12	31/7/11
RPI Increases	3.50%	3.40%	2.60%	3.50%
CPI Increases	2.70%	2.60%	1.80%	2.70%
Salary Increase	4.90%	4.80%	4.00%	5.00%
Pension Increases	2.70%	2.60%	1.80%	2.70%
Discount Rate	4.30%	4.70%	3.90%	5.30%

Mortality

The mortality table used is the standard "S1PA" pensioners table with a 120% multiplier based on the amounts projected to valuation data, making allowance for future improvement factors in line with CMI 2013 projections; with a long term rate of 1.5%.

The expected lifetime of a participant who is 65 and the expected lifetime (from age 65) of a participant who will be age 65 in 20 years are show in years below based on the above mortality tables.

Age	Males	Females
65	21.0	23.3
65 in 20 years	23.2	25.6

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

	Long term		Long term	
	Rate of Return At 1/8/14	Value 31/7/14 £000	Rate of Return At 1/8/13	Value 31/7/13 £000
Equities	6.40%	33,371	6.40%	31,704
Gilts	3.40%	2,510	3.40%	3,126
Other Bonds	4.20%	6,007	4.30%	5,358
Property	5.40%	4,665	5.40%	4,019
Cash	0.50%	808	0.50%	447
Total Market Value of Assets	5.70%	47,361	5.80%	44,654

FRS 17 combined disclosures

Analysis of amount debited to staff costs:

	2014 £000	2013 £000
Current Service cost	2,000	1,858

Notes to the financial statements (*continued*)

Pension Costs (*continued*)

Analysis of amount debited/(credited) to other finance income:

	2014	2013
	£000	£000
Current Service Cost	2,000	1,858
Expected return on scheme assets	(2,608)	(1,850)
Interest on pension scheme liabilities	2,708	2,120
Losses on curtailments and settlements	-	2
	<hr/>	<hr/>
Total pension cost	2,100	2,130
	<hr/> <hr/>	<hr/> <hr/>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):

	2014	2013
	£000	£000
Actual Return less expected return on pension scheme assets	(721)	6,413
Changes in the assumptions underlying the present value of the schemes liabilities	(9,385)	(108)
	<hr/>	<hr/>
Actuarial (losses)/gains recognised in STRGL	(10,106)	6,305
	<hr/> <hr/>	<hr/> <hr/>

Analysis of amount shown in the Balance Sheet:

	2014	2013
	£000	£000
Actuarial value of scheme liabilities	(70,328)	(57,027)
Fair value of assets	47,362	44,654
	<hr/>	<hr/>
Defined benefit liability at end of year	(22,966)	(12,373)
	<hr/> <hr/>	<hr/> <hr/>

	2014	2013
	£000	£000
Change in actuarial value of scheme liabilities:		
Actuarial value of scheme liabilities at start of year	57,027	53,905
Service cost	2,000	1,858
Interest	2,708	2,120
Actuarial losses	9,385	108
Losses on curtailments	-	2
Estimated benefits paid net of transfers in	(1,143)	(1,306)
Contributions by scheme participants	523	508
Unfunded pension payments	(172)	(168)
	<hr/>	<hr/>
Actuarial value of scheme liabilities at end of year	70,328	57,027
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (*continued*)

Pension Costs (*continued*)

Amounts for the Current and Previous Periods

	Year 31/07/2014	Year 31/07/2013	Year 31/07/2012	Year 31/07/2011	Year 31/07/2010
	£000	£000	£000	£000	£000
Defined Benefit Obligation	-70,328	-57,027	-53,905	-52,380	-45,737
Scheme Assets	47,361	44,654	35,868	36,354	31,008
Deficit	-22,966	-12,373	-18,037	-16,026	-14,729
Experience adjustments on Scheme Liabilities	-	-	5,942	52	-220
Percentage of liabilities	-	-	11.00%	0.10%	-0.50%
Experience adjustments on Scheme Assets	-721	6,413	-3,349	2,386	2,174
Percentage of assets	-1.50%	14.40%	-9.30%	6.60%	7.00%
Cumulative Actuarial Gains	-14,482	-4,376	-10,681	-8,951	-8,210

25 Childcare and other student support Funds

	Childcare Fund £000	Discretionary Fund £000	Total 2014 £000	Total 2013 £000
Balance brought forward	-	-	-	-
Allocation received in year	219	335	554	564
Expenditure	(219)	(334)	(553)	(559)
Funds transferred	-	(1)	(1)	(5)
Balance carried forward	-	-	-	-

Funding council grants are available solely for the students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

26 Lease obligations

	2014 £000	2013 £000
<i>Commitments under non-cancellable operating leases expiring:</i>		
Other		
Within one year	6	6
Between two and five years	145	151
	<u>151</u>	<u>157</u>

Notes to the financial statements (*continued*)

27 Post balance sheet events

The University of Abertay Foundation Trust was wound up with effect from close of business on 31 July 2014, and the assets/liabilities were transferred to the University of Abertay Dundee, where the Foundation funds will be administered as restricted funds in accordance with the restrictions in place prior to the transfer.

28 Contingent liability

There are no contingent liabilities at 31 July 2014.

29 Related parties

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



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