

INTEGRATED REPORT



2021/22



**Abertay
University®**

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INTRODUCTION



Introduction from the Principal

2021-22 was another challenging year for the University as we continued to deal with the significant impact of the Covid-19 pandemic on our teaching, learning, research, and knowledge exchange activity, and on the lives of our staff and students. I am very proud of the way our university community rose to the challenge and continued to go above and beyond to support our students.

We had much to celebrate in 2021-22. The high quality of our teaching and learning was confirmed through our Enhancement-Led Institution Review and by improvements in the overall satisfaction levels reported through the National Student Survey. We saw the hard work and commitment to research of our academic staff recognised and rewarded through the outstanding results in the Research Excellence Framework. In June 2022, with support from the Scottish and UK Governments, we launched the Abertay cyberQuarter which will further enhance our reputation as a leader in cybersecurity education and have a positive impact on the Dundee economy.

I was also delighted that in July 2022 we were able to hold our first in-person graduation ceremonies since 2019, celebrating not only the achievements of our 2022 graduates, but also to welcoming back our 2021 and 2020 graduates to allow them an opportunity to celebrate with friends and family.

We continued to innovate and to look to the future, embedding new practice into our curriculum from the blended approach in recent years and seeking new ways to improve the retention of our students. In line with our Strategic Plan ambition, we have developed several new partnerships to deliver Abertay degrees online and with international partners. These will launch in autumn 2022 and mark a new chapter for Abertay.

We continue to develop our systems through our digital transformation programme and have developed an exciting Estates Vision which will ensure the University not only continues to provide excellent facilities for our students and staff but also has a positive impact on the wider regeneration of Dundee.

This is not without its challenges, not least the external funding environment and the impact of the higher cost of living on universities, and also on our staff and students. I wish to recognise the contribution of my predecessor, Professor Nigel Seaton, in ensuring that the University is in a strong financial position to face those challenges. My priority as Principal is to maintain the financial sustainability of the University so that we can continue to invest in our ambitions and provide the opportunities and experience so valued by our students.

I am very proud to have been appointed as Principal and Vice-Chancellor of Abertay University and I look forward to continuing to work with colleagues to deliver our shared vision for the future.

OPERATING REVIEW



Operating Review

Context

The Covid-19 pandemic continued to have a significant influence on our operations during 2021-22, though the relaxation of restrictions during the second half of the academic year enabled more activity to take place on campus. We continued to operate our blended approach to learning and teaching, ensuring that students had access to a mix of on-campus and online teaching throughout the year, and introducing additional support for students joining Abertay in 2021-22, in recognition of the challenges they faced from the disruption to their prior education.

More in-person events took place as the year progressed and restrictions eased, with the graduation ceremonies held in July 2022 for our 2022, 2021 and 2020 graduates being a particular highlight. Most staff, depending on the nature of the role, are following a hybrid working pattern, and are now on campus for at least part of the week.

2021-22 also saw a change in University leadership with the retirement of Professor Nigel Seaton and the appointment of Professor Liz Bacon as Principal and Vice-Chancellor from 1 May 2022.

Strategic Plan Priorities

We continue to make good progress towards the priorities set out in our Strategic Plan 2020-25, despite the challenging environment of the last two years and the need to adjust our operational priorities. The latest update on the key performance indicators supporting the plan is provided in Table 1 and an overview of key activities follows below. We are now at the mid-point of the plan and the second half of 2022 we will take stock of progress and refresh our objectives where appropriate.

Learning and Teaching

During 2021-22, we revised our academic delivery model for 2022-23 onwards to reflect the positive experiences of blended learning over the last two years and to incorporate actions to improve retention and progression of students, and also to improve the employability of our graduates. To support transition to Abertay, a suite of credit-bearing micro-credentials aimed at preparing first year students for academic and social success was introduced in 2021-22. This included the requirement that first-year students completed a core micro-credential upon enrolment to the university. Being Successful at Abertay (ABE101), which had embedded within it a diagnostic test (Abertay Discovery Tool).

During 2021, we participated in the Quality Assurance Agency (QAA) Enhancement Led Institutional Review (ELIR) of Abertay. ELIR takes place every five years and is an important component of the Quality Enhancement Framework for Scottish higher education, focusing on the enhancement of the student learning experience, and examining how institutions maintain academic standards. We were pleased that, following the Review Visit in November 2021, Abertay received a judgement of Effective, the highest category of award.

We were also pleased to see an improvement in student satisfaction reported through the 2022 National Student Survey, with an overall satisfaction score of 81%, 5 percentage points above benchmark and placing us 24th in the UK.

We continue to support the recovery from Covid-19, notably with a range of upskilling courses to address critical skills shortages regarding digital business in the wider community. Since June 2020, more than one thousand registrants have engaged with these upskilling courses, with a positive reception.

Strategic partnerships

In 2021-22 we made significant progress in developing our international partnership activity in line in line with our strategic plan ambitions *to work with partners to deliver our programmes beyond our Dundee campus and to develop online programmes, including some delivered with partners to students who are not based in Dundee*. We have put in place agreements with several new international partners to deliver Abertay degrees either online or franchised for delivery by the partner from 2022-23 onwards. These include:

- Partnership with Higher Education Partners (HEP) to deliver a range of programmes in business and computing under the banner 'Abertay Online'. The first programmes, the MBA, and MSc in Computer Science, will run from September 2022 with further programmes coming on stream at later dates.
- Partnerships with Bucharest International School of Management in Bucharest, Romania, Caselldefels School of Social Sciences Business School (C3S) Barcelona, and Westford Educational College, UAE to deliver Abertay programmes in business from autumn 2022.

We have also entered into a new agreement with our existing partner Al Maktoum College, Dundee to validate two programmes for delivery to international students at their Dundee campus.

College partnerships

We continue to work closely with our local college partners to support the transition of students from college to Abertay. As in previous years, a third of our entrants in 2021-22 joined Abertay in years 2 or 3 of a degree programme.

Research and Knowledge Exchange

2021-22 saw the implementation of our Research and Knowledge Exchange Strategy, with additional investment in academic staff and PhD studentships agreed from 2021 onwards. During this academic year, research grant income increased by £501k, however this largely still reflects applications submitted pre- and early-pandemic, and there is some concern that future income will be impacted by the reprioritisation of activity internally and by our partners in recent years.

The results of the 2021 Research Excellence Framework (REF), the UK-wide external research assessment, for Abertay were extremely positive, signifying an overall picture of strength and improvement. Abertay recorded 60% of its research judged as 'internationally excellent' or 'world-leading', a 23% increase since the last REF in 2014 (REF2014) – the biggest climb of any Scottish university, according to our analysis.

We showed particularly strong performances and had the highest GPAs for any Scottish Modern University submitted in Art & Design (UoA 32) which covers our work in digital games; Engineering (UoA 12) which includes our work in cybersecurity, computing, forensics and environmental engineering; Food Science (UoA 6); and Psychology (UoA 4), which respectively had 83%, 73%, 65% and 60% of research rated as 'internationally excellent' or 'world-leading'.

Abertay took an inclusive approach to the REF process - every staff member submitted is also involved in teaching our students and in total submitted 80% of our eligible academic staff to REF2021. This inclusive approach is central to our long-term plan to embed a research-led culture right across Abertay, underpinning everything we do in research, knowledge-exchange, innovation and teaching; our students have access to research-active tutors and our staff are supported to develop the experience required to advance within their professional fields.

Abertay cyberQuarter

The Abertay cyberQuarter, a new hub for cybersecurity research, innovation, and industry growth jointly funded by the University and the UK and Scottish governments through the Tay Cities Region Deal, was officially opened in June 2022. The Abertay cyberQuarter builds on Abertay's reputation as a UK leader in cybersecurity education and provides a new model for supporting the rapidly growing cyber sector in a facility that is the first of its kind in the country. The cybersecurity arm of NHS NSS (National Services Scotland) will be located at Abertay cyberQuarter, bringing an initial 30 jobs to Dundee

Developing our campus

During 2021-22, a new Estates Vision was developed, discussed across the University community, and presented to Court and work will continue during 2022-23 to consider how this can be implemented. We are working closely with Dundee City Council and other partners to ensure that, where appropriate, our vision and any future developments make a positive contribution to wider action to enhance the city.

Two major estates projects were completed during 2021-22. The replacement of the cladding on the north elevation of the Kydd Building, which was supported by the Scottish Funding Council's Financial Transactions

funding, has transformed the appearance of the building and the quality of the accommodation for students and staff. The Annie Lamont Building has been refurbished and now provides a purpose-built home for the Abertay cyberQuarter

There was ongoing development and delivery of digital transformation projects to support our digital strategy and implementation of a new structure in IT to support this. This includes the move of our on-campus IT infrastructure to the Cloud to provide a flexible platform to build our digital ambitions on, improve resilience and to address a number of key operational risks.

Operational planning

Our operational planning focussed on ensuring that we can continue to deliver our strategic plan commitments and that we continue to secure the financial sustainability of the University in the medium term. Planning is based on a set of prudent assumptions and priority for resource allocation was given to supporting new activities which will generate additional income at a positive margin, academic priorities around retention, and digital transformation and business process reform. Progress against plans is reviewed on a regular basis throughout the year.

The external environment remains challenging given the gap between the underlying increase in the SFC funding per student (1.5% for 2022-23) and high inflation rates. The real-terms decrease in funding this represents comes on top of the real-terms reduction of 13% in the unit of resource for teaching between 2014-15 and 2021-22. Expectations of higher pay awards than we have seen in recent years, as well as increased costs in other areas, for example utilities and construction, make the position very challenging for many institutions. Additional pressure comes from change in the funding status of EU students from 2021-22 onwards and increased competition to fill SFC funded places. The Executive Group and Senior Management Team regularly review the external environment and associated risks.

Equality, Diversity and Inclusion

Equality of opportunity and inclusion are embedded in Abertay's ethos.

The University values and promotes equality, diversity and inclusion for staff and students. The University believes that all employees and students have the right to expect, and that has a responsibility to ensure, that no individual will be disadvantaged as a consequence of their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

The University benefits from having employees and students from many varied nationalities, cultures and backgrounds. The University confirms its commitment to a policy of equal opportunities in its selection, recruitment and treatment of students and employees. The University aims to ensure that all individuals are treated with dignity and respect and is committed to fulfilling its obligations under the Public Sector Equality Duty to ensure an environment where unlawful discrimination is not tolerated; to tackle prejudice and to promote understanding and foster good relations between people from different groups, characteristics and backgrounds. The University publishes an Equality Mainstreaming Report every two years, setting out our outcomes, progress and equality data on staff and students. [If you want to link to it, it's on this page: https://www.abertay.ac.uk/about/the-university/governance-and-management/equality-and-diversity/](https://www.abertay.ac.uk/about/the-university/governance-and-management/equality-and-diversity/)]

The University holds Bronze Awards under the Advance HE Athena Swan Charter, for the promotion of gender equality, and the Race Equality Charter. We were awarded the Diversity in the Public Sector award at the 2021 Herald Diversity Awards, recognising a commitment to continuous work to improve equality diversity and inclusion. An important aspect of this is our Lead Voices initiative, where staff volunteer to act as voices for the different protected characteristic groups – articulating staff views and contributing to equality impact assessment of University policies and decisions. Our Lead Voices inspired our first 'Diversity Fest' in May 2021, exploring and celebrating EDI, with a second planned for November 2022.

In relation to *employment of disabled persons*, in addition to the commitments above, the University's Equality and Diversity Policy sets out our commitment to ensure that all employees (and students) have equal access to University facilities where possible and to making reasonable adjustments where appropriate to ensure that this can be achieved. The University's Occupational Health service provides advice, information and support to disabled staff and to managers in support of disabled staff, including advice and assistance with reasonable adjustments and liaison with Access to Work. The University has a BSL Action Plan.

Fair Work practices

Abertay is an accredited Living Wage Employer and holds a Scottish Health Working Lives Gold Award.

The University has recognition agreements with two trade unions, UCU and Unite, and meets regularly with the trade union representatives for consultation and collective bargaining, and to ensure that staff have an effective voice. The University undertakes full staff engagement surveys every two years, and has established mechanisms for staff engagement action planning and progress at local and University levels.

The University's Development Discussions scheme ensures that all staff have the opportunity to discuss their development annually. The University provides extensive access to training and professional development opportunities through People Services, AbLE, the Graduate School, the Teaching Enhanced Learning Support team and others.

The University offers flexible working and introduced a Hybrid Working Policy in 2021.

Key performance indicators 2021-22

Following the launch of our new strategic plan in early 2020, Court agreed a revised set of key performance indicators in April 2021. A summary of our performance against these indicators is shown in Table 1 below.

TABLE 1

REF	KPI	2025 target	Latest data		Comment
01	% of Scottish-domiciled undergraduate entrants from the 20% most deprived postcodes	20%	18.4% (Dec 2021)	●	Our performance remains comparatively strong among Scottish institutions but remains at similar level to previous years. This indicator should be considered together with KPI 2 which takes account of a wider range of measures of disadvantage.
02	% of Scottish-domiciled undergraduate entrants from disadvantaged backgrounds (i.e. eligible to receive a contextual offer)	20%	18.9% (Dec 2021)	●	Performance remains at similar level to last year but slightly below our 2025 target.
03	% of students satisfied with the overall quality of their course (National Student Survey)	89%	81% against benchmark 75.4% (2022)	●	Survey was carried out in early 2022 and reflects impact of covid on the student experience. Score had dropped from 89% (2020) baseline during the pandemic. Score has improved from 2021 and places us 24 th in the UK.
04	% of full-time, all-age first degree undergraduate entrants still in higher education after one year (HESA PI)	To exceed benchmark	89.9% against benchmark 92.2% (2019/20 entrants, published March 2022)	●	Improving retention is a priority for the University and a series of actions are underway to support this. There is a lead time before any change shows in the HESA indicators.
05	% of UK domiciled full-time students starting first degree courses projected to receive a degree (HESA PI)	To exceed benchmark	75.7% against benchmark 83.8% (2019/20 entrants, published March 2022)	●	See comment for KPI 04.
06	% of graduate students employed in graduate level jobs (DLHE / Graduate Outcomes survey)	71%	59% (2019-20 graduation cohort, Graduate Outcomes)	●	Improving employability is a priority for the University and a number of actions are underway.
07	Number of online qualifications (i.e. courses with a fully or predominantly online component leading to a degree-level qualification)	5 new online qualifications by 2025	0 (June 2022)	●	Agreed expectation is that there will not be any new online qualifications until 2022-23. Under our partnership with HEP 7 new online programmes are due to begin in Sep 2022
08	Income from new online and franchise provision	Additional income of at least £500k annually by 2025	No additional income in 2020-21 (in line with expectations)	●	Agreed expectation is that there will not be additional income until 2022-23. 13 new programmes across 3 partners are due to begin in September 2022.

REF	KPI	2025 target	Latest data		Comment
09	Research grant and contract income	Overall target: 25% increase for 2020 – 2025 Strategic Plan period	£2.808m (2021/22) Updated five year average: £2.177m	●	<p>The increase in recent years is primarily driven by income related to the inGAME project.</p> <p>RKE income increases reflect successes secured through applications submitted pre- and early-pandemic. Evidence indicates a more recent reduction in the number of funding bids being submitted by academic staff, largely due to increased workloads associated with teaching and administrative duties, and due to many industry partners having to re-prioritise activity and investment.</p>
10	Income from knowledge exchange activity	Overall target: 10% increase for the 2020-25 Strategic Plan period	£2.49m (20/21) Updated five-year average £1.43m	●	As above, the five-year average does not yet fully reflect the impact of the pandemic on activity.
11	Number of Scopus citations for Abertay affiliated staff	7.5% year on year increase	6398 (2021) 16.9% increase	●	
12	Staff engagement: Aggregate measure on staff engagement from the biennial staff survey ('Average UCEA Employee Engagement Score')	Improvement (on baseline)	75.0% (2022 survey)	●	Feedback from the 2022 staff survey reflects a significant increase in staff engagement compared to the previous survey in 2019 (58%).
13	Staff: overall gender pay gap	Reduction (on baseline)	11.6% (average salary July 2022)	●	<p>The gap has increased by 0.2 since July 2021, but is 2.9 percentage points lower than the baseline. The minimum expectation is that there will be sustained progress and therefore year on year improvement in the position, therefore this indicator is rated red. However, there will also be some fluctuation in the figures because of relatively low numbers.</p> <p>Our analysis shows that there is no issue within grades, i.e. no inequality in pay for the same or equivalent work. In fact, in Grade 10 (covering Professors and Senior Managers other than the principal and vice principal) women are paid on average more than men.</p> <p>Continuing to narrow the pay gap will primarily depend on increasing the proportion of men in lower paid roles and women in higher paid roles through promotion and/or recruitment (which is in turn affected by turnover and availability of vacancies).</p>
14	Increase in non-SFC, non-SAAS income (i.e. excluding SAAS-paid tuition fees)	Increase (on baseline)	£7.9m (2020-21) 21.3% of total income	●	
15	EBITDA as % of income	10-12%	12.86% (2021/22)	●	

Risks and Opportunities

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

A summary of the strategic risk register is given below.

Specific Risk	Residual Risk Score		Risk Owner
	low 1	high 25	
1 We do not deliver the commitments set out in our outcome agreement with SFC and as a result our funding is reduced.	←—————→		VP (Strat and Gov) and Univ Sec
2 We do not generate enough cash to be able to sustain the university's core operations on our current model of delivery or to invest in new activity to deliver the university's strategic priorities	←—————→		Principal
4 Increased competition for resources leads to predatory attack from competitors	←—————→		VP (Strat and Gov) and Univ Sec
5 Disruption to University operations arising from major incident, omission, failure or external attack	←—————→		Director of FICS
6 We do not comply with legislation/changes in legislation.	←—————→		VP (Strat and Gov) and Univ Sec
7 The University's academic reputation is damaged	←—————→		Deputy Principal
8 We do not have the business processes in place to enable us to operate effectively and therefore are unable to make timely and well-informed decisions.	←—————→		SMT led by the Principal
9 We do not have sufficient staff capacity and capability and consequently are unable to deliver University's key objectives	←—————→		Director of People and OD
10 Our portfolio of academic programmes does not meet student expectations, leading to negative experiences, poor outcomes and discouraging future applicants.	←—————→		Deputy Principal
12 Insufficient numbers of students progressing from partner institutions to Abertay degrees.	←—————→		Director of ECR
13 We are unable to recruit international students and therefore cannot achieve our strategic plan ambitions.	←—————→		Director of ECR
14 Change averse / risk averse culture prevents delivery of key strategic objectives	←—————→		SMT led by the Principal

Strategic Risk Register: approved by Court June 2022

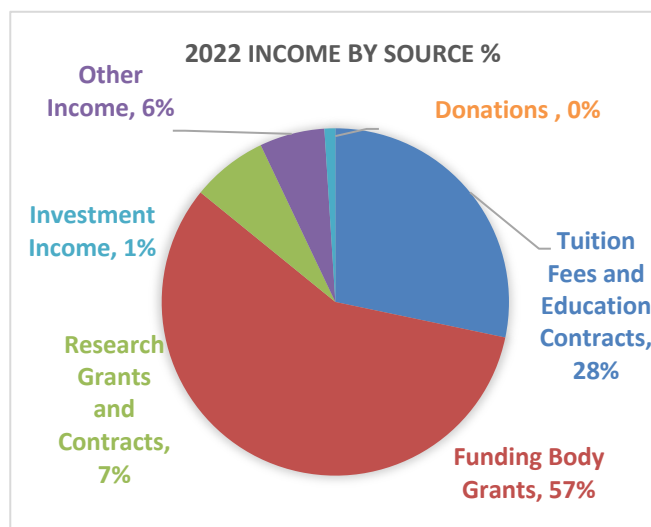
FINANCE REVIEW



Finance Review

Results for the year show a reported surplus of £33m, which includes adjustments in respect of USS and LGPS provisions of £34m and an EBITDA of £4.9m.

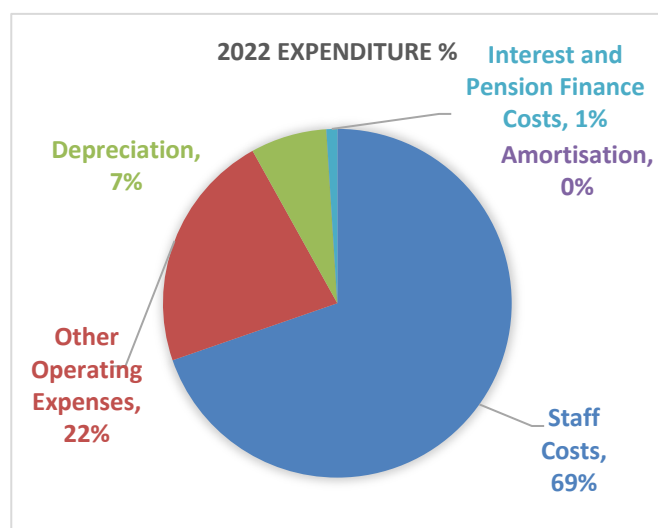
Income Overview	2021	2022
	£000	£000
Tuition Fees and Education Contracts	10,414	10,824
Funding Body Grants	21,581	21,768
Research Grants and Contracts	2,307	2,808
Other Income	2,003	2,476
Investment Income	313	289
Donations	4	13
Total Income	36,622	38,178



Total Income in 2022 is £38.2m up 4.25% on 2021, with variations in individual categories, but significant movements explained below.

- Funding Body Grants and Tuition Fees account for 85% of income.
- Commercial Income increased by £460k in 2022, as 2021 was affected with Covid continuing resulting in Shops and Bars remaining closed, and lower students in Residences.

Expenditure Overview	2021	2022
	£000	£000
Expenditure		
Staff Costs	27,443	26,610
Other Operating Expenses	7,017	8,654
Depreciation	2,671	2,864
Amortisation	0	152
Interest and Pension Finance Costs	416	278
Total Expenditure	37,547	38,558



Total Expenditure in 2022 is £38.6m, an increase of 2.7% from 2021.

- Staff Costs accounting for 69.0% of expenditure (73.1% 2021)
- Other Operating Expenses increased in 2022, but was affected in 2021, with the ongoing pandemic where costs were lower with Outlets being closed, reduced maintenance and facility upgrade costs, and lower agency costs.
- Interest and Pension Finance Costs decreased by £138k as a result of the LGPS actuarial year end valuation.

EBITDA % has moved from 20/21 £5,624k (15.36%) to 21/22 £4,909k (12.86%) due to a combination of higher tuition and commercial income, as detailed above, combined with implemented operational efficiencies.

Balance Sheet
at 31 July

	2021	2022	at 31 July	2021	2022
	£000	£000	Non Current Assets	47,986	75,602
Non Current Assets - Fixed Assets	36,156	48,367	Current Assets	20,593	14,791
Non Current Assets - Intangible Assets	0	860	Net Current Assets	12,717	6,474
Non Current Assets - Listed Investments	11,830	11,671	Net Assets	36,770	67,502
Non Current Assets – Pensions	0	14,704			
Current Assets other than Cash	1,519	1,945			
Current Assets Cash	19,074	12,846			
Trade and Other Payables: amounts falling due within 1 yr	(7,876)	(8,317)			
Creditors falling due after one year	(10,117)	(14,297)			
Pension Provisions	(13,816)	(227)			
Total Net Assets	36,770	67,502			
Restricted Reserves	613	603			
Unrestricted - Income and Expenditure Reserve	36,157	66,899			
Total Funds	36,770	67,502			

Significant movements in the Balance Sheet are explained below.

- The Pension provision improved by £28m in year due to the LGPS actuarial valuation, the detail of this movement is explained further in note 15 to 18 of these statements.
- The £13m increase in Fixed Assets include additions of £16m (Cladding £9.6m, Cyber Quarter £5m, and smaller capital projects and IT equipment), offset with £3m of depreciation charges.

RESPONSIBILITIES OF COURT



Financial Responsibilities of the University Court

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

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

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

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

The Court has a responsibility to:

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

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

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

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

The officers and members of the Court who held office at the date of approval of the Annual Report and Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of

which the University's auditor is unaware; and each officer and member of the Court has taken all the steps that he/she ought reasonably to have taken as an officer and member of the Court to make himself/herself aware of any relevant audit information and to establish that the University's auditor is aware of that information.

Court's Primary Responsibilities

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

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

Going concern

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



Mr Murray Shaw
Chair, University Court

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

CORPORATE GOVERNANCE STATEMENT



Corporate Governance Statement

Court is the governing body of Abertay University. The composition, functions, and powers of the Court for the year ended 31 July 2022 were set out in the Abertay University (Scotland) Order of Council 2019, which took effect on 01 September 2019 (see later section on 'Governance'). Under the 2019 Order, the objects of the University are to provide education, undertake and carry out research, make suitable and adequate provision for such activities, and conduct the affairs of the University in ways that promote its objects.

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

Covid 19 Impact on Governance

No changes were required to the structure of the governance framework (Court and its committees or Senate and its committees) and no emergency powers were used or taken because of the Covid 19 pandemic. Court and all its committees met on the planned number of occasions and, in some cases, held additional meetings. All the meetings of Court and its committees and all meetings of Senate and its committees took place as scheduled. Court was kept apprised of developments in Scottish Government guidance and received regular updates in relation to Covid19 developments from the University Secretary as Chair of the Coronavirus Crisis Management Team (CCMT). As the regulatory constraints eased in early 2022, the CCMT evolved into the Coronavirus Monitoring Team in April 2022 and an ongoing 'COVID awareness' approach was adopted and integrated into the normal health and safety regime. Further aspects of the impact of the pandemic are addressed throughout this report.

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

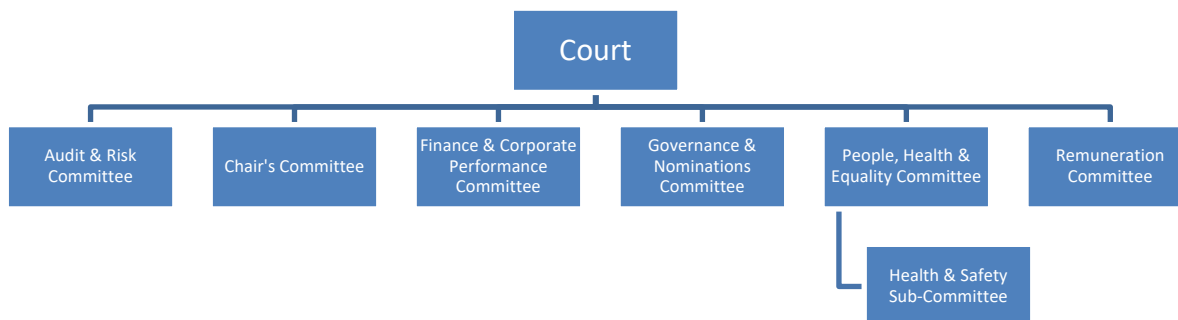
Court - The University's Governing Body

Court administration

There were five scheduled meetings of Court during the year and one additional 'special' meeting which was held in January 2022 to consider the recommendation for the appointment of the next Principal and Vice-Chancellor of the University. All of the Court meetings were held in person with provision for members to join meetings online, depending on their individual circumstances. Court held a 'mini' strategic conference in September 2022 which provided an opportunity for Court to meet with members of the University's Senior Management Team to discuss future planning and key emerging issues.

Court meetings are scheduled for three hours, normally commencing at 2.00 pm. These meetings were held at the University and, normally, preceded by visits to parts of the University with an opportunity to meet staff and students. A light lunch is provided for Court members, and all senior managers, members of Senate (the primary academic committee of the University) and those staff who had just been visited by Court members would have been invited. In 2021-22 Court was able to engage with relevant staff on a range of topics prior to each meeting, though arrangements took account of the relevant Scottish Government COVID guidelines in force at the time.

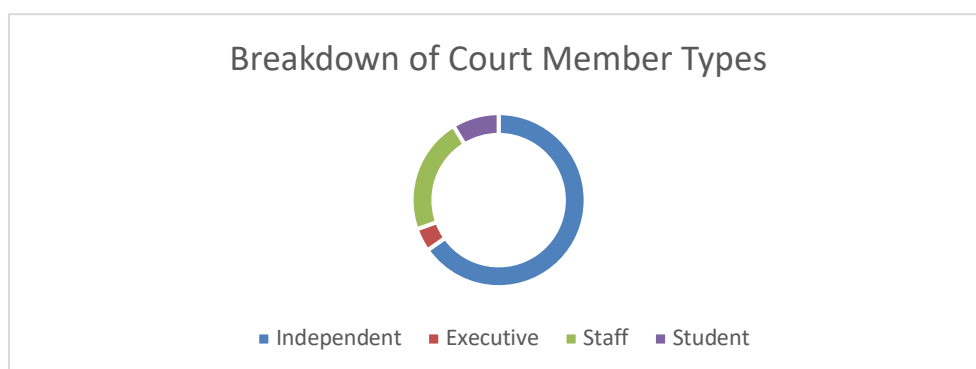
The meetings of Court and its committees are scheduled and approved in advance of the academic year. Agendas and papers are published on a committee portal one week in advance of meetings to provide time for reading. A notification of publication is sent automatically to all members. Court has several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



Court membership

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

(* The Vice-Principal was appointed as Vice-Principal and University Secretary in May 2022 and ceased to be a member of Court from that time,)



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

There were 15 lay members of Court as at 30 June 2021. During the year, two lay members left; one had come to the end of their maximum period of office and the other resigned due to work commitments. Following a robust selection process including interviews, overseen by the Governance and Nominations Committee, Court approved the appointment of two new lay members to take their places. The Abertay Students' Association President and the Abertay Students' Association Vice-President were nominated as the two student governors for the session.

Professor Nigel Seaton retired from the University as Principal and Vice Chancellor on 30 April 2022. Following a rigorous recruitment process involving Court members, an external assessor, and a prominent executive search firm, Professor Liz Bacon was appointed as the Principal and Vice Chancellor from 01 May 2022. As Professor Bacon was an internal candidate, having been the Deputy Principal and Deputy Vice Chancellor since 2018, Court approved a process to recruit a replacement and Professor Alastair Irons was appointed as Deputy Principal and Deputy Vice Chancellor from 01 July 2022.

Key Court roles

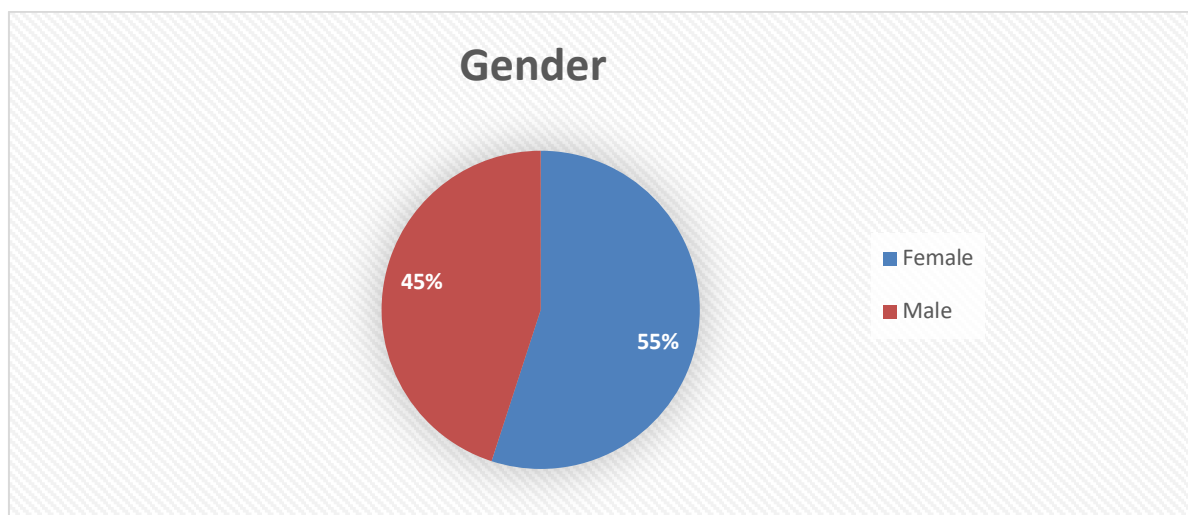
Chair of Court: the Chair – an independent member - is responsible for the leadership of Court. He/she is responsible for ensuring that the necessary business of Court is carried out efficiently, effectively, and in a manner appropriate for the proper conduct of public business.

Vice-Chair of Court: an independent member who acts as Chair in the Chair's absence. The position has been held by Dr Annie Ingram since 01 January 2020.

Court Intermediary: this independent member serves as an intermediary for other Court members who might wish to raise concerns about the conduct of Court or effectiveness of the Chair; and annually, leads Court's appraisal of the Chair's effectiveness. The role was undertaken by Gordon MacDougall until 31 December 2021, when his final term of office came to an end. The role is currently undertaken by Veronica Lynch.

Secretary to Court: an employee of the University who is appointed to this role by Court and has a direct reporting line to the Chair of Court. The Secretary ensures that Court acts within its powers and follows proper procedures, is the principal officer of Court and acts on the instructions of Court. Sheena Stewart was the Secretary until 25 March 2022, when Philip Henry, a retired University Registrar and Secretary took over the role in an interim capacity. Caroline Summers was appointed as Vice-Principal (Strategy and Governance) and University Secretary on 17 May 2022. Caroline had previously been the Vice-Principal (Strategy and Planning).

As of 01 June 2022, the overall balance between genders amongst Court members was 55% female and 45% male. The gender balance for the non-executive/independent membership of Court was 47% female and 53% male and Court is committed to achieving the gender representation objective of the 'Gender Representation on Public Boards (Scotland) Act 2018' by having exceeding 50% non-executive/independent members who are women.



Periodic review of Court's effectiveness

Court undertook an externally facilitated review during 2016-17, which involved both an external facilitator and a separate external adviser. This review concluded that that the Court of the University was effective and overall met its Statement of Primary Responsibilities and complied with the Scottish Code of Good HE Practice 2013 and the HE Governance (Scotland) Act 2016 (where applicable).

Another periodic review of Court effectiveness was conducted during the latter part of this year working with colleagues from Advance HE, a sector-owned charity with extensive higher education experience in effective governance. A steering group was set up by the Governance and Nominations Committee (GNC) to have oversight of the process. Its membership included the Chair of the GNC, three members of Court, the Advance HE staff and an external member who was the University Secretary of another Scottish institution. Advance HE presented their final report and recommendations to the Court meeting held in June 2022. Work is underway currently to prepare the detailed action plan that will be considered by Court at its meeting in September 2022 and the Court Conference in November 2022.

Annual review of Court's effectiveness

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

Attendance at Court and Court committees

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

	Court	Court Committees					
		Audit & Risk Committee	Finance & Corporate Performance Committee	Governance & Nominations Committee	Chair's Committee	Remuneration Committee	People, Health & Equality Committee
		6 meetings	4 meetings	4 meetings	4 meetings	6 meetings	3 meetings
Ms N Ahmed	4 out of 6						3
Professor Liz Bacon	6 out of 6			1 of 1 *	5 of 5		
Mr A Bailey +	6 out of 6		4				
Mr J Barnett +	5 out of 6	4	4				
Robyn Donoghue + ^	2 out of 2						1 of 1^
Miss A Duffy	6 out of 6			4			
Mrs H Dunk OBE +	5 out of 6						4
Ms G Ghafoor +	6 out of 6				4		4
Mrs L Hamilton +	6 out of 6	4					
Dr A Ingram +	6 out of 6		1 of 1^^	4	5	3	3 of 3
Professor T Inns +	5 out of 6	4			4		
Mr F Jakimow	5 out of 6		4	2			
Mr F Keir +	6 out of 6	4					
Ms V Lynch +	6 out of 6			4			
Mr G MacDougall + **	1 out of 2						1 of 2
Ms C MacEachen	6 out of 6					3	
Mr J MacGregor +	5 out of 6		2				
Mr A Marks +	6 out of 6		3	4		3	
Mr I McDonald +	5 out of 6		4		6	2 of 3	
Dr H Mehrpouya	5 out of 6						
Ms F Robertson + ***	3 out of 4		2 of 2				
Professor N Seaton **	4 out of 4			3 of 3	3 of 4		
Mr M Shaw +	5 out of 6			4	6	3	
Professor E Sim + ^^^	4 out of 4					0 of 1	2 of 2
Dr K Smith	6 out of 6		2				
Ms C Summers ***	5 out of 5		3 of 3		4 of 4		
Ms R Thiel	5 out of 6					3	3
Aggregate attendance % (for year to 31 July 2022)	93%	100%	91%	93%	86%	89%	88%

+ Non-executive/lay member

* From May 2022

^ From April 2022

** Until December 2021

^^ From June 2022

*** Until February 2022

^^^ Until April 2022

+++ Appointed as University Secretary in May 2022

Induction and development

New members of Court received an induction session provided by the Secretary to Court and were apprised of external development opportunities, including a one-day seminar for new governors in Scotland offered by Advance HE. The induction and ongoing development of members of Court has been identified as a key priority following some issues highlighted in the Advance HE report on its Governance Effective Review.

Court and its Committees: Key Activities During Year

Strategic development

Court regularly considers strategic development issues and it receives regular updates on the implementation of objectives. During 2021-22, Court received updates on progress against planning assumptions and objectives at all of its scheduled meetings. The University published its Strategic Plan 2020-2025 following approval by Court in November 2019. Court, directly and through its committees, maintains oversight of the Key Performance Indicators approved by Court. In February 2020, Court approved a revised set of KPIs that relate to the Strategic Plan 2020-2025 at the same time as it received a final report on the previous KPIs.

Financial performance and capital investment

Court, through its Finance and Corporate Performance Committee, reviewed the financial performance of the University and approved the University's budget for session 2022-23. The Finance & Corporate Performance Committee is, (subject to the ultimate approval by Court) responsible, *inter alia*, for the development, implementation and review of the University's Strategic Plan and associated enabling strategies including operational plans; any significant financial deviation from such plans; the key performance indicators for the University as agreed by Court; the annual financial statements for each financial year; all proposals for the borrowing of money; the financial projections prepared for submission to the Scottish Funding Council; oversight of the management and application of all funds of the University ensuring they are handled within the Financial Regulations; oversight of the University's Financial Policies and Procedures; oversight of the management of all activities of the University as they relate to the estate and the University's estate strategy and to capital projects such as ICT infrastructure; and oversight of the financial affairs of the Abertay Students' Association.

Court, through the Finance and Corporate Performance Committee, received capital projects updates at the start of session together with formal written reports on capital investment projects throughout the year. The Committee welcomed the application of the strategic evaluation and prioritisation of projects, noting in particular, the successful completion of the Annie Lamont/Abertay cyberQuarter building in spring 2022. The Kydd Building Cladding Phase V Project was completed in spring 2022 and useful lessons were learned from this project. Court approved recommendations from the Finance and Corporate Performance Committee in relation to the Disposal of Student Residences, Operational Planning and Budgeting 2022/25, and the Priority 1 and Priority 2 projects in the Estates Strategy.

People matters

The impact of the Covid 19 pandemic on the health, safety and welfare of staff and students continued to be a major concern for Court, The People, Health & Equality Committee, through the Coronavirus Crisis Management Team (and Coronavirus Monitoring Team subsequently), ensured that regular updates were provided on contingencies in place for the University for teaching, based on scenario-based solutions for the Academic Year. Throughout Term 1 and Term 2, the University continued to follow and Scottish Government regulations, increasing occupancy as the year progressed.

The People, Health & Equality Committee continued to focus on improvements to health and safety and to governance of this topic to provide Court with informed views of such critical matters. Court, through the People, Health and Equality Committee, receives reports on the implementation of any health and safety audit recommendations.

Court approved a revised remit and membership of the People, Health and Equality Committee and was updated on the work the committee was doing in relation to the Staff Engagement Survey, the development of the People Strategy, and the introduction of a Hybrid Working Policy. Court approved also the Committee's recommendations for revisions to the Code of Student Discipline: Non-Academic Misconduct, and the Discipline Procedure that applies to all employees of the University.

Governance

The Governance and Nominations Committee oversaw significant activity including a review of the University's Scheme of Delegation, that was subsequently approved by Court, and the conduct of the externally facilitated Governance Effectiveness Review. Court has considered the final report from Advance HE Governance Effectiveness Review and an appropriate action plan is being drafted for consideration by Court.

Further work to enhance governance at Abertay University was undertaken by the Governance and Nominations Committee during the year in question; including considering and recommending to Court the annual report on the effectiveness of Court; the provision of training to members of Court, in particular, unconscious bias training; and arrangements for the internal audit of the University's governance function.

Court remains concerned to improve the diversity of the lay membership of Court as well as addressing wider aspects of diversity including age and sexual orientation. The Governance and Nominations Committee has considered the skills and diversity matrix with a view to Court's appointment of new lay members to fill current and near-future vacancies and will seek to use a range of tools to identify and attract appropriate candidates.

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



the scottish code of GOOD HE GOVERNANCE

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

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

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

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

Remuneration

The Remuneration Committee, comprising only non-executive independent members plus a non-executive staff governor and a student governor, met on three occasions in the session. The first meeting was to approve the salary, pension and contractual arrangements to be offered as part of the process to appoint a new Principal. The Committee fulfilled its remit in relation to (a) considering the salaries of the senior officers of the University, namely the Principal, the Deputy Principal, the Vice-Principal (Strategy and Planning), and the University Secretary; and (b) deciding the principles for determining the salaries of all other University staff whose salaries are in the discretionary range above the nationally determined salary scale. The Principal of the University is not a member of the Remuneration Committee. After the departure of the University Secretary, the Committee approved the salary arrangements for the new post of Vice-Principal (Strategy and Governance) and University Secretary.

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

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

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

Audit and risk management and internal controls

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

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

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

Following the Audit and Risk Committee's consideration of a report by the University's internal auditors on cyber security arrangements, in 2021, there has been an ongoing focus on cyber risks both within the University and more widely across the higher education sector, the Committee asked for regular updates to address the recommendations, and supplementary actions put in place by the University's Information Security Working Group. Good progress continues to be made, including the commissioning of external and internal network penetration testing and disaster recovery facility.

During the year, the Audit and Risk Committee:

- Considered reports arising from the internal audit plan for session 2020-21 at its meeting in November 2021, follow-up reviews of Cyber Security, IT Strategy and Infrastructure, and Partnerships Working.
- Approved the internal audit plan for the year and considered the reports arising from this plan, including UKVI Compliance (Students and Staff); Student Applications, Induction and Enrolment; Reputation Management; Timetabling and Space Management; and Security.
- Considered the annual integrated report and financial statements for the University for the year ending 31 July 2021.
- Conducted a review of the Financial Regulations and the revised Financial Regulations were approved by Court.
- Considered updates on Risk Management at each meeting and received reports on Value for Money, Business Resilience and Continuity, and Self Evaluation of the Effectiveness of the Committee.
- Approved arrangements for the appointment of new Internal Auditors, and a revised methodology for agreeing the terms of reference for internal audits.
- Held a private meeting with the internal auditors and with no senior members of University staff present.
- Procured and appointed new external auditors

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

- The risk management activities and controls in the areas which they examined were found to be suitably designed to achieve the specific risk management, control, governance, and value for money arrangements.
- Based on their verification reviews and sample testing, the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute

assurance that the related risk management, control, governance and value for money objectives were achieved for the period under review.

Sustainability of the University

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

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

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

Court: stakeholder engagement

Court adopted a 'hybrid' approach to its meetings which were primarily in person again with the facility for online engagement where this better suited the circumstances of individual members. A very successful and well attended Public Engagement Day was held on 27 April 2022 and Court members were able to attend the Graduation Ceremonies held in July 2022.

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

Conclusion

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

Going Concern

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

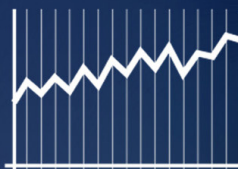
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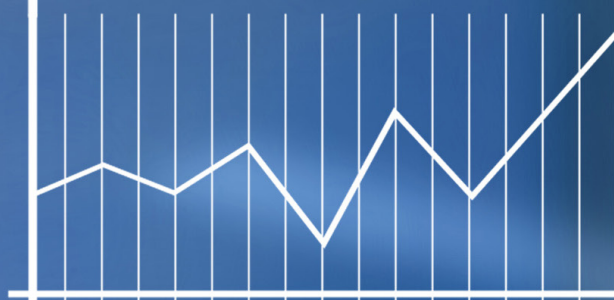
Mr Murray Shaw
Chair, University Court

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

INDEPENDENT AUDITOR'S REPORT



AUDIT



Independent Auditor's Report to the Court of Abertay University

Opinion

We have audited the financial statements of Abertay University ('the institution' or 'the University') for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income and Expenditure, Balance Sheet, Cash Flow Statement, Statement of Changes in Reserves, and the related notes 1 to 19, 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 University's state of affairs as at 31 July 2022 and of the income and expenditure, recognised gains and losses, changes in reserves, and of the University's statement of 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 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

In auditing the financial statements, we have concluded that the University Court's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the University's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The University Court is responsible for the other information. The other information comprises the information included in the annual report set out on pages 2-22, other than the financial statements and our auditor's report thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

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

- The Scottish Funding Council's accounts direction have been met;
- funds from whatever source administered by the institution for specific purposes have been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- funds provided by the 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 Strategic Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the University Court

As explained more fully in the Statement of Responsibilities of Court set out on pages 12-14, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the University operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charity Accounts (Scotland) Regulations 2006 (as amended).

We identified the greatest risk of material impact on the financial statements from irregularities including fraud to be:

- Management override of controls to manipulate the institution's key performance indicators to meet targets;
- Income recognition for specific income streams; and
- Compliance with relevant laws and regulations which directly impact the financial statements and those that the University needs to comply with for the purpose of trading.

Our approach was as follows:

- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage income and expenditure. Where this risk was considered higher, we performed

audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error;

- We have performed analytical and/or substantive procedures over all significant revenue streams.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the University and determined that the most significant are FRS 102 and Statement of Recommended Practice for Further and Higher Education.
- We understood how the institution is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of the Court minutes and papers provided to the Audit and Risk Committee, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business and a review of Court minutes to identify any non-compliance with laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our Report

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



Andrew Shaw
for and on behalf of Anderson Anderson & Brown Audit LLP
Statutory Auditor
1 Lochrin Square
92 Fountainbridge
Edinburgh
EH3 9QA

Date: 7 December 2022

Anderson Anderson & Brown Audit LLP is eligible to act as an auditor under section 1212 of the Companies Act 2006.

FINANCIAL STATEMENTS



Introduction to the Financial Statements

Objective

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

These users include:

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

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

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

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

Format

An institutions' financial statements must include:

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

Statement of Principal Accounting Policies

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting in Further and Higher Education 2019* and in accordance with Financial Reporting Standard 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirements of FRS 102. The financial statements are prepared in accordance with the historical cost convention. The impact and continuing uncertainty as a result of Covid-19 on the future financial performance and cashflows of the University have been considered as part of the University's assessment and adoption of the going concern basis in these financial statements. The University has considered the risks and potential impact of these in producing its financial plans and forecasts. These financial statements have been prepared on a going concern basis which University management believe to be appropriate for the following reasons:

- At 31 July 2022 the University held cash and cash equivalents of £12.8 million, while net current assets were £6.5 million including external borrowings in the form of £9.3 million unsecured loan from the SFC, which is fully repayable between 10 and 20 years, the last repayment by 31 July 2041. The University Court has reviewed financial forecasts, including plans for future student recruitment, and after reviewing the assumptions utilised in the forecast scenarios, it is satisfied that the University is expected to be able to meet its commitments and obligations for at least the next twelve months from the date of the signing of this report, including under any plausible worst-case scenario for future University financial performance during this period.
- The forecast budget scenarios, covering the years 2022-23 to 2024-25 outline how the operational activities of the University are expected to continue to generate cash. For budgetary control purposes the University concluded a programme of activity to reduce non-essential expenditure in 2021-22, focusing on ensuring the University remained financially sustainable, and well positioned to deliver our strategic plan priorities. We had a review process in place to monitor progress through the year, including regular consideration of risks, reflecting the ongoing uncertainty arising from the pandemic, not least the potential impact on future student recruitment and retention. The main assumed reduction in income was in tuition fees, in particular overseas tuition fee income, along with a similar but smaller reduction in other income, particularly Residence's income.
- During 2021-22, student recruitment was improved over the budgeted position, bringing additional fee income to the University. This combined with the successful implementation of the required efficiencies and produced a favourable year-end position. Our revised forward projections to 2024-25 continue to forecast significant liquidity. If a severe downside scenario does occur, a range of further mitigating actions are available to university management depending on the severity of the situation. This includes further limiting discretionary spend and restricting non-essential and non-committed capital expenditure. Based on the above analysis, the University's view is that it remains entirely appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the income and expenditure of the Students' Association as the University is not in the position to exert control or dominant influence to obtain benefit from its activities.

2. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

- Pension liabilities – the key assumptions made in deriving these figures are explained in detail in notes 15-18

- Provisions – year end provisions are made based on best available information at the time of preparing the financial statements.
- Depreciation and useful economic lives of buildings – the key assumptions are explained in note 7.

3. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when:

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

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

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

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

4. Taxation

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

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

5. Income Recognition

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

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

6. Foreign Currencies

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

7. Related parties

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

8. Stock

Stocks of catering supplies are valued at the lower of cost or net realisable value based on 'first in first out'. Where necessary, provision is made for slow-moving stock. The closing value was £16k (2021 £15k).

9. Supplier payments

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

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

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

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

For the year ended 31 July	Note	2021 (As Restated) £000	2022 £000
Income			
Tuition Fees and Education Contracts	1	10,414	10,823
Funding Body Grants	2	21,581	21,768
Research Grants and Contracts	3	2,307	2,808
Other Income	4	2,003	2,476
Investment Income		313	289
Donations	7	4	13
Total Income		36,622	38,177
Expenditure			
Staff Costs	6	27,443	26,610
Other Operating Expenses		7,015	8,654
Depreciation	8	2,671	2,863
Amortisation	9	0	152
Interest and Pension Finance Costs		416	278
Total Expenditure	5	37,545	38,557
Surplus/(Deficit) Before Other Gains/Losses		(923)	(380)
Gain/ (Loss) on Disposals of Investments		295	316
Unrealised Gain/ (Loss) on Non Current Asset Investments		1,576	(476)
		1,871	(160)
Surplus/ (Deficit) Before Tax/for the Year		948	(540)
Actuarial Gain/ (Loss) in Respect of Pension Scheme		15,896	31,272
Total Comprehensive Income for the Year		16,844	30,732
Represented by:			
Restricted Comprehensive Income for the Year		3	(1)
Unrestricted Comprehensive Income for the Year		16,891	30,742
Endowment Comprehensive Income for the Year		(50)	(9)
		16,844	30,732

Abertay University - Statement of Financial Position (Balance Sheet)

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

at 31 July	Note	2021 Restated £000	2022 £000
Non-Current Assets			
Fixed Assets	8	36,156	48,367
Intangible Assets	9	0	860
Listed Investments	10	11,830	11,671
Pension Asset	16		14,704
		47,986	75,602
Current Assets			
Stock		15	16
Trade and Other Receivables	11	1,504	1,929
Cash and Cash Equivalents		19,074	12,846
		20,593	14,791
Less: Trade and Other Payables: amounts falling due within one year	12	(7,876)	(8,317)
Net Current Assets		12,716	6,474
Total Assets less current liabilities		60,703	82,076
Creditors falling due after one year			
Deferred Capital Grant		0	(4,919)
SFC Loan		(10,117)	(9,378)
		(10,117)	(14,297)
Provisions			
Pension Provisions	15	(13,816)	(277)
Total Net Assets		36,770	67,502
Restricted Reserves			
Endowment Reserve	7	537	528
Other Restricted Reserves	7	76	75
		613	603
Unrestricted Reserves			
Income and Expenditure Reserve		36,157	66,899
Total Funds		36,770	67,502

The financial statements on pages 21 to 54 were approved by Court on 22/11/22 and were subsequently signed on its behalf on 5 December 2022 by:

Professor Liz Bacon
Principal & Vice-Chancellor



Mr Murray Shaw
Chair, University Court



Mr Gordon Weir
Director of Finance,
Infrastructure and Corporate
Services



The accompanying notes and policies on pages 29 to 54 form part of these financial statements.

Abertay University - Cash Flow Statement

	2021 (As Restated) £000	2022 £000
Cashflow from operating activities		
(Deficit)/Surplus for the year before tax	948	(540)
Adjustment for non cash items		
Depreciation and impairment charges	2,671	2,863
Amortisation of intangibles	0	152
(Loss)/Gain on disposal of investments	295	316
Unrealised Appreciation on Non Current Assets	(1,576)	551
Decrease/(Increase) in stock	(7)	(1)
Decrease/(Increase) in debtors	757	(425)
(Decrease)/Increase in creditors	1,521	158
(Decrease)/Increase in pension provision	(12,411)	(28,243)
Other Comprehensive Income	15,896	31,272
Adjustment for investing or financing activities		
Investment Income	(311)	(283)
Interest Income	(2)	(6)
Capital Grant Income	(445)	(511)
Net cash (outflow)/inflow from operating activities	7,336	5,302
Cashflows from investing activities		
Current and non-current investment income	311	283
Fixed asset additions	(1,436)	(15,074)
Intangible asset additions	0	(1,012)
Non-current investment (additions)	(8,304)	(6,712)
Income from disposal of current asset investments	7,713	6,004
Capital Grant Receipts	445	5,700
Cash inflow/(outflow) from returns on investments and servicing of finance	(1,271)	(10,811)
Cashflows from financing activities		
Interest Income	2	6
Repayments of Amounts borrowed	(767)	(716)
New Endowment	4	6
Endowment expenditure	(54)	(15)
Restricted donations	23	0
Restricted Reserves Expenditure	21	0
Cash outflow from capital expenditure and financial investments	(771)	(719)
Increase/(Decrease) in cash and cash equivalents in the year	5,294	(6,228)
Cash and cash equivalents at beginning of the year	13,780	19,074
Cash and cash equivalents at end of the year	19,074	12,846
Increase/(Decrease) in cash and cash equivalents in the year	5,294	(6,228)

Abertay University - Statement of Changes in Reserves

	Endowment Reserves	Restricted Reserves	Unrestricted Reserves	Total £000
Balance at 01 August 2020	587	73	19,266	19,926
Surplus/(Deficit) from the Statement of Comprehensive Income and Expenditure	0	0	16,891	16,891
Other Comprehensive Income	(50)	3	0	(47)
Total Comprehensive Income for the year	(50)	3	16,893	16,844
Balance at 31 July 2021	537	76	36,157	36,770

	Endowment Reserves	Restricted Reserves	Unrestricted Reserves	Total £000
Balance at 01 August 2021 (As Previously Stated)	537	76	34,391	35,004
Prior Year Adjustment (note 19)	0	0	1,766	1,766
Balance at 01 August 2021 (As Restated)	537	76	36,157	36,770
Surplus/(Deficit) from the Statement of Comprehensive Income and Expenditure	0	0	30,742	30,742
Other Comprehensive Income	(9)	(1)	0	(10)
Total Comprehensive Income for the year	(9)	(1)	30,742	30,732
Balance at 31 July 2022	528	75	66,899	67,502

Analysis of Net Debt

	2021 £000	2022 £000
Cash and cash equivalents	19,074	12,846
Borrowings : amounts falling due within one year		
Unsecured Loans	716	739
Borrowings : amounts falling due after one year		
Unsecured Loans	10,117	9,378
	<u>10,833</u>	<u>10,117</u>
Net Debt	<u>8,241</u>	<u>2,729</u>
Reconciliation of Net Debt		
	2021 £000	2022 £000
Net Debt 1 August	2,553	8,241
Movement in Cash and Cash Equivalents	5,294	(6,228)
Other Non Cash Changes	394	716
Net Debt 31 July	8,241	2,729
Change in Net Debt	<u>5,688</u>	<u>(5,512)</u>

Notes to the Financial Statements

Note 1: Income – Tuition Fee and Educational Contracts

a. Accounting policy

Fee Income is stated net of any expenditure which in effect reduces Tuition Fee and credited to the Statement of Comprehensive Income and Expenditure over the period of study. Any amount where the Tuition Fee is reduced by a discount for prompt payment or scholarship, income receivable is shown net of the discount, Bursaries are accounted for as expenditure and not deducted from Income.

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

	2021 £000	2022 £000
Scottish and EU Student Fees		
Undergraduate	6,884	6,432
Post Graduate Taught	786	520
Post Graduate Research	87	129
	<u>7,757</u>	<u>7,081</u>
RUK Student Fees		
Undergraduate	1,218	1,328
Post Graduate Taught	25	93
Post Graduate Research	9	18
	<u>1,252</u>	<u>1,439</u>
Non EU (International) Fees	1,286	2,221
Other Fees	119	82
	<u>10,414</u>	<u>10,823</u>

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

	2021 £000	2022 £000
Full Time		
Scottish and EU Students	7,270	6,565
RUK Students	1,227	1,356
Non EU (International Students)	1,270	2,198
	<u>9,767</u>	<u>10,119</u>
Part Time	647	704
Total Tuition Fee Income	<u>10,414</u>	<u>10,823</u>

Notes to the Financial Statements

Note 2: Funding Body Grants

a. Accounting policy

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

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

	2021 £000	2022 £000
SFC Recurrent Grants		
Teaching Grant	17,287	18,538
Research Grant	1,515	1,346
Regional Coherence	894	912
	<u>19,696</u>	<u>20,796</u>
SFC Specific Grants		
Capital Maintenance	445	443
Wider Access	291	304
Other	1,149	225
	<u>1,885</u>	<u>972</u>
Total Funding Body Grant Income	<u><u>21,581</u></u>	<u><u>21,768</u></u>

Notes to the Financial Statements
Note 3: Research Grant and Contract Income

a. Accounting policy

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

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

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

	2021 £000	2022 £000
Arts and Humanities Research Council (AHRC)	720	840
Biotechnology & Biological Sciences Research Council (BBRC)	107	67
Economic and Social Research Council (ESRC)	143	163
Engineering and Physical Sciences Research Council (EPSRC)	9	0
Medical Research Council (MRC)	81	91
Natural Environmental Research Council (NERC)	2	6
Other RCs	0	0
Royal Society, British Academy and Royal Society for Edinburgh (RSE)	0	3
UKRI	232	129
Research Council Total	1,294	1,299
EU	144	312
Other	2	2
UK Charities	347	483
UK Government	378	594
UK Industry	142	118
Total Research Grant and Contract Income	2,307	2,808

Note 4: Other Income

	2021 £000	2022 £000
Commercial Income including Catering sales and Residences Income	454	914
SFC Grant SPPA Pension Contribution	279	285
Release of Deferred Capital Grant	0	68
Other Income	1,270	1,209
Total Other Income	2,003	2,476

Notes to the Financial Statements
Note 5: Analysis of Total Expenditure by Activity

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

£000	2021	Academic Staff Costs	Other Staff Costs	Total Staff Costs	Other Operating Expenses	Depreciation/ Amortisation	Interest and Other Finance Costs	2022
Academic Departments	12,974	11,678	741	12,419	521	209	0	13,149
Academic Services	4,057	0	2,452	2,452	1,569	73	0	4,094
Administration & Central Services	9,382	77	5,888	5,965	3,647	340	0	9,952
Premises	4,238	0	1,120	1,120	1,770	2,022	0	4,912
Residences & Catering Operations	547	0	180	180	174	372	0	726
Research Grants & Contracts	2,712	612	1,222	1,834	973	0	278	3,085
Pension Cost Adjustment	3,120	0	2,624	2,624	0	0	0	2,624
Other	515	0	16	16	0	0	0	16
	37,545	12,367	14,243	26,610	8,654	3,016	278	38,558
2021 Comparison		12,070	15,373	27,443	7,015	2,671	416	37,545

Other Operating Costs include:

External Auditor's remuneration in respect of audit services £53k (2021 - £77k)

External Auditor's remuneration in respect of non audit services £7k (2021 - £0k)

Internal Auditor's remuneration in respect of audit services £29k (2021 £43k)

Operating Lease rentals £26k (2021 - £25k)

Notes to the Financial Statements

Note 6: Staff Expenditure

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

	2021 £000	2022 £000
Staff Costs		
Wages and salaries	18,259	18,572
Social security costs	1,862	1,931
Employer Contribution - Pension Costs	3,375	3,410
Underlying Staff Expenditure	23,496	23,913
Severance Costs	827	73
Pension service costs	3,120	2,624
Total Staff Expenditure	27,443	26,610

Underlying staff expenditure adjusts the total staff expenditure for severance and pension service costs. Underlying staff costs in 2022 were £23.9m, similar to 2021.

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

b. Average staff numbers, expressed as FTE

The staff changes from 2021 are, Academic staff has increased 13 FTE (7.2%) and Support staff has decreased 20 FTE (8.2%)

Average staff numbers by major category, expressed as FTE:

Number FTE	2021	2022
Academic Staff	181	194
Support Staff	245	225
	426	419

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

c. Key management personnel

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

	2021 £000	2022 £000
Key management personnel remuneration	<u>498</u>	<u>635</u>

Nigel Seaton (Principal) retired on 30th April 2022, with his replacement (the previous Deputy Principal and Deputy Vice Chancellor) taking office on 1st May 2022. The Executive Group was extended on 1st May 2022 to include our Director of Finance, Infrastructure and Corporate Services and our Director of People and OD. Our replacement Deputy Principal and Deputy Vice Chancellor started on 1st July 2022. These changes resulted in an increase in the Key management personnel compensation in 2022.

d. Emoluments of the Principal

	2021 £000	2022 £000
<u>Nigel Seaton (1/8/21-30/4/22 date of retiral)</u>		
Salary	220	167
Employer's contribution to pension	4	8
	<u>224</u>	<u>175</u>
<u>Liz Bacon (1/5/22-31/7/22)</u>		
Salary	0	49
Employer's contribution to pension	0	11
	<u>0</u>	<u>60</u>

- **Our Principal Nigel Seaton retired on 30th April 2022 and was succeeded by Liz Bacon started on 1st May 2022.**
- **No bonus or other taxable benefits were paid to the Principal during the year.**
- **The median salary multiple, (where median salary is median total remuneration cost (excluding NI) for salaried staff is £47k (2021 £42k) to Principal's salary (excluding NI) is 5.0 (2021 5.2).**

e. Emoluments of other key management personnel

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

The number of staff with a basic salary of over £100,000 per annum has been included in the table below.

	2021	2022
Number FTE		
£100,001 - £110,000	1	1
£110,001 - £120,000	0	0
£120,001 - £130,000	0	0
£130,001 - £140,000	1	0
£140,001 - £150,000	0	1
£150,001 - £160,000	0	0

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

f. Court Members

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

In 2021 and 2022, no Court member received remuneration or waived payments from the University. The total expenses paid to or on behalf of 8 Court members was £3k (2020 £0k). This represents travel and subsistence expenses incurred in attending Court, Committee Meetings, and charity events in their official capacity. All meetings during 2021 were done virtually.

Notes to the Financial Statements

Note 7: Donations and Endowments

a. Accounting policy

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

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

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

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

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

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

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

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

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

	2021 £000	2022 £000
Restricted Donations	2	0
Donations with no Restrictions	2	13
Total Income	<u>4</u>	<u>13</u>

c. Reserves reported on the Balance Sheet

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

Restricted Endowment Reserves

Restricted Endowment Reserves are held as Current Asset Investments.

	2021 £000	Unrestricted £000	Permanent £000	Expendable £000	2022 £000
Balance at 1 August	587	387	38	112	537
New Endowments	4	0	0	6	6
Expenditure	(54)	0	0	(15)	(15)
Total Endowment Comprehensive Income for the Year	(50)	0	0	(9)	(9)
Balance at 31 July	537	387	38	103	528
Split of Endowment Reserves by Purpose					
Scholarship Funds	0	0	0	0	0
Prize Funds	150	0	0	103	103
Other Funds	387	387	38	0	425
	537	387	38	103	528

Other Restricted Reserves

	2021 £000	2022 £000
Restricted Donations		
Balance at 1 August	73	76
Income	23	0
Expenditure	(21)	(1)
Total Restricted Comprehensive Donation Income for the Year	2	0
Balance at 31 July	76	75
Split of Restricted Donations by Purpose		
Research Support	72	71
Prize Funds	4	4
General	76	75

Notes to the Financial Statements

Note 8: Fixed Assets

a. Accounting policy for Fixed Assets

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

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

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

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

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

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

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

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

b. Fixed Assets reported on the Balance Sheet

	Freehold Land and Buildings £000	Equipment £000	AIC- Freehold Land and Buildings £000	AIC- Equipment £000	Total £000
Cost					
At 1 August 2021	52,027	6,894	1,598	33	60,552
Additions	14,035	406	326	307	15,074
AIC Released 21/22	1,577	34	(1,577)	(34)	0
Disposals	0	(79)	0	0	(79)
At 31 July 2022	67,639	7,255	347	307	75,547
Accumulated Depreciation					
At 1 August 2021	(18,905)	(5,491)	0	0	(24,396)
Additions	(1,934)	(696)	0	0	(2,630)
Eliminated in respect of disposals	0	79	0	0	79
Impairment	(234)	0	0	0	(234)
At 31 July 2022	(21,073)	(6,108)	0	0	(27,180)
Net Book Value					
At 31 July 2022	46,566	1,147	347	307	48,367
At 31 July 2021	33,122	1,403	1,598	33	36,156

Notes to the Financial Statements

Note 9: Intangible Assets

a. Accounting policy for 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 capitalised until they are brought into use. Subsequent to initial recognition, initial assets are stated at cost less accumulated impairment. Intangibles are amortised on a straight line basis over their useful economic lives of 5 years.

b. Intangible Assets reported on the Balance Sheet

	IT Cloud Solution £000	Total £000
Cost		
At 1 August 2021	0	0
Additions	1,012	1,012
AIC Released 21/22	0	0
Disposals	0	0
At 31 July 2022	1,012	1,012
Amortisation and Impairment		
At 1 August 2021	0	0
Additions	(152)	(152)
Eliminated in respect of disposals	0	0
At 31 July 2022	152	152
Net Book Value		
At 31 July 2022	860	860
At 31 July 2021	0	0

Notes to the Financial Statements
Note 10: Non Current Asset Investments

a. Accounting policy for Non Current Asset Investments

Non Current Investments are initially recognised at cost and subsequently measured at fair value at each reporting date. All gains and losses on Non Current asset investments are recognised in the Statement of Comprehensive Income as they accrue.

b. Non Current Asset Investments reported on the Balance Sheet

	2021 £000	Unlisted Investment £000	Listed Investment £000	2022 £000
At 1 August	9,959	25	11,805	11,830
Additions	8,304	0	6,712	6,712
Disposals	(8,008)	0	(6,320)	(6,320)
Appreciation on disposals/revaluation	1,576	0	(551)	(551)
At 31 July	11,830	25	11,646	11,671

Notes to the Financial Statements

Note 11: Trade and Other Receivables

a. Accounting policy

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

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

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

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

b. Trade and Other Receivables reported on the Balance Sheet

	2021 £000	2022 £000
Trade Debtors	272	990
Student Debtors	16	41
Accrued Income	135	90
General (Individual items <£50k)	725	652
SFC Income	114	0
Research Project Income	242	156
Prepayments	1,081	808
Trade and Other Receivables	1,504	1,929

Notes to the Financial Statements

Note 12: Trade and Other Payables – amounts falling due within one year

a. Accounting policy

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

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

b. Trade and Other Payables reported on the Balance Sheet

	2021 £000	2022 £000
Trade Payables	351	957
Student Accounts	607	1,319
Other	77	338
Other Payables	684	1,657
Social Security and Other Taxation Payable - Holiday Pay Provision	1,016	988
Deferred Income - Research Project Income	3,723	3,010
Unsecured Loans due within one year	716	739
Deferred Capital Grant release within one year	0	268
Tuition Fees	97	120
SFC	226	121
Severance	402	14
Contract Works/ Purchase Orders	187	176
Other	474	267
Accruals	1,386	698
Trade and Other Payables : amounts falling due within one year	7,876	8,317

Note 12: Trade and Other Payables – amounts falling due after one year

	2021 £000	2022 £000
Deferred Capital Grant - release due after one year	0	4,919
Unsecured loans due after one year	10,117	9,378
	10,117	14,297

Notes to the Financial Statements

Note 13: Loans

a. Accounting policy

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

b. Loans from Scottish Funding Council (Solar PV and LED Lighting, Carbon Reduction, Financial Transactions)

	2021 £000	2022 £000
Analysis of Unsecured Loans		
Due within one year and on demand	716	739
Due between one and two years	716	738
Due between two and five years	2,148	2,063
Due in five years or more	7,253	6,577
Total Unsecured Loans	10,833	10,117
Unsecured Loans Repayable by 2030	820	666
Unsecured Loans Repayable by 2041	10,013	9,451
	10,833	10,117

The University's unsecured loans from the SFC (summarised above) are at an interest rate of 0.25% per annum.

Note 14: Lease Obligations

a. Accounting policy

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

b. Rental commitments under non-cancellable operating leases expiring

	2021 £000	2022 £000
Commitments under non cancellable operating leases expiring - Other:		
Within one year	13	9
Between two and five years	15	15
	28	24

Notes to the Financial Statements

Note 15: Pension Overview

a. Schemes

Staff are eligible to join one of three pension schemes:

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

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

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

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

During the year to 31 July the total cost of these pension arrangements for the University was £3,410k (2021 - £3,376k). This includes £0 (2020 - £0) of outstanding contributions at the balance sheet date.

	2021 £000	2022 £000
STSS	1,979	2,071
TSF	1,328	1,270
USS	69	69
Total Pension Cost	3,376	3,410

c. Pensions as reported on the Balance Sheet

	31/07/21 £000	STSS Pension £000	USS Pension £000	TSF Pension £000	31/07/22 £000
At 1 August (as restated)	26,227	0	122	13,694	13,816
Movement in year	(12,411)	0	155	(28,398)	(28,243)
At 31 July	13,816	0	277	(14,704)	(14,427)
Shown as:					
Pension Asset	0	0	0	0	14,704
Pension Provisions	(13,816)	0	0	0	(277)

d. Further detailed notes

STSS – note 16.

TSF – note 17.

USS – note 18.

Notes to the Financial Statements

Note 16: Pension - Scottish Teachers' Superannuation Scheme

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

Accounting Policy

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

Abertay University participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

Abertay University has no liability for other employers' obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme Teachers' Employers Accounts Disclosure Revision - 14 December 2018 MENU (d) (i) The scheme is an unfunded multi-employer defined benefit scheme. (ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the (name of body) is unable to identify its share of the underlying assets and liabilities of the scheme. (iii) The employer contribution rate for the period from 1 April 2021 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay. (iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

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

Notes to the Financial Statements

Note 17: Pension - Tayside Superannuation Fund

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

a. Accounting Policy

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

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

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

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

b. Actuarial Valuation

An actuarial valuation of Tayside Pension Fund was carried out as of 31 July 2021. The purpose was to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2021 to 31 March 2023 (3-year period). Contributions are set to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future. The next valuation will be carried out as of 31 March 2023 and will set a contribution for the period 1 April 2024 to 31 March 2027.

c. Financial Assumptions

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

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

	2021	2022
Discount Rate	1.6%	3.4%
Pension Increases	2.8%	2.8%
Salary Increases	3.8%	3.8%

Demographic / Statistical Assumptions –

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 130%. These base tables are then projected using the CMI_2018 Model, allowing for a long-term rate of improvement of 1.5% p.a. Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2020. We have adopted the default smoothing parameter of 7.5 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.25% p.a.

Life expectancy from age 65 (years)		2021	2022
Retiring today	Males	18.9	19.0
	Females	22.2	22.3
Retiring in 20 years	Males	20.3	20.4
	Females	23.8	23.9

The estimated asset allocation in the scheme was:

	2021		2022	
	£000	%	£000	%
Equities	71,333	72%	67,792	70%
Gilts	5,118	5%	2,436	3%
Other Bonds	11,959	12%	12,734	13%
Property	8,916	9%	11,545	12%
Cash	2,205	2%	1,923	2%
Alternatives	65	0%	65	0%
Total	99,596	100%	96,495	100%

d. FRS 102 Combined Disclosures

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

	2021	2022
	£000	£000
Service Cost	4,989	4,350
Net Interest on the Defined Liability/(Asset)	354	216
Administration Expenses	33	34
Total Pension Cost	5,376	4,600

	2021	2022
	£000	£000
Present Value of the Defined Benefit Obligation	113,019	81,573
Fair Value of Fund Assets (Bid Value)	99,596	96,495
Deficit/(Surplus)	13,423	(14,922)
Present Value of Unfunded Obligation	271	218
Defined Benefit Liability at End of Year	13,694	(14,704)

Change in actuarial value of scheme liabilities:	2021	2022
	£000	£000
Opening Defined Benefit Obligation	107,921	113,290
Current Service Cost	3,689	3,677
Interest Cost	1,458	1,808
Change in Financial Assumptions	6,220	(36,022)
Change in Demographic Assumptions	(2,698)	0
Experience Loss/(Gain) on Defined Benefit Obligation	(2,669)	253
Estimated Benefits Paid Net of Transfers In	(2,413)	(2,343)
Past Service Costs, including curtailments	1,300	673
Contributions by Scheme Participants and Other Employers	511	484
Unfunded Pension Payments	(29)	(29)
	<u>113,290</u>	<u>81,791</u>

Reconciliation of opening & closing balances of the fair value of Fund assets	2021	2022
	£000	£000
Opening Fair Value of Fund Assets	81,838	99,596
Interest on Assets	1,104	1,592
Return on Assets Less Interest	16,357	(4,497)
Other Actuarial gains/(losses)	392	0
Administration Expenses	(33)	(34)
Contributions by Employer Including Unfunded	1,869	1,726
Contributions by Scheme Participants and Other Employers	511	484
Estimated Benefits Paid Plus Unfunded Net of Transfers In	(2,442)	(2,372)
	<u>99,596</u>	<u>96,495</u>

Remeasurements in other comprehensive income	2021	2022
	£000	£000
Return on Fund Assets in Excess of Interest	16,357	(4,497)
Other Actuarial Gains/(Losses) on assets	392	0
Change in Financial Assumptions	(6,220)	36,022
Change in Demographic Assumptions	2,698	0
Experience Gain/(Loss) on Defined Benefit Obligation	2,669	(253)
	<u>15,896</u>	<u>31,272</u>

Sensitivity Analysis Current Financial Year

	£000	£000	£000
Adjustment to discount rate	+0.10%	0.00%	-0.10%
Present Value of total obligation	80,220	81,791	83,394
Projected service Cost	1,874	1,941	2,010
Adjustment to long term salary increase	+0.10%	0.00%	-0.10%
Present Value of total obligation	81,966	81,791	81,618
Projected service Cost	1,942	1,941	1,940
Adjustment to pension increases and deferred revaluation	+0.10%	0.00%	-0.10%
Present Value of total obligation	83,227	81,791	80,383
Projected service Cost	2,010	1,941	1,874
Adjustment to life expectancy	+0.10%	0.00%	-0.10%
Present Value of total obligation	85,215	81,791	78,514
Projected service Cost	2,026	1,941	1,859

Notes to the Financial Statements

Note 18: Pension - Universities Superannuation Scheme

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

a. Accounting Policy

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

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

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

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 20 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2020 is underway but not yet completed.

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

The 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

b. Financial Assumptions

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

	2021	2022
Discount Rate	1.05%	1.40%
Pension Increases (CPI)	7.45%	2.20%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme’s experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

2020 valuation

Mortality base table

The mortality assumptions are based on scheme specific experience analysis, expressed as liability equivalent adjustments to standard tables published by the Continuous Mortality Investigate (CMI) making allowance for future improvements in longevity. The mortality tables are as follows:

Males : S2PMA “light” with 101% weighting and improvements using CMI_2019 (1.8%) with smoothing parameter 7.5 and initial addition 0.5% pa

Females : S3PFA with 95% weighting and improvements using CMI_2019 (1.6%) with smoothing parameter 7.5 and initial addition 0.5%

The current life expectancies on retirement at age 65 are:

	2021	2022
Males currently aged 65 (years)	24.7	23.9
Females currently aged 65 (years)	26.1	25.5
Males currently aged 45 (years)	26.7	25.9
Females currently aged 45 (years)	27.9	27.3

c. Pension Provision

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

Notes to the Financial Statements

Note 19: Pension – Prior Year Adjustment

Notes 15 and 17 provide information about the University's participation in the Tayside Superannuation Fund. During the year it was identified that the amounts presented as at 31st July 2021 in note 15 were not correct and not in agreement with note 17. A prior year adjustment has been recognised to appropriately state the liabilities as at 31st July 2021.

The impact of the prior year adjustment is as follows:

	31 July 2021 (as previously stated) £000	Prior Year Adjustment £000	31 July 2021 (As restated) £000
Pension Provision	(15,582)	1,766	(13,816)
Total Funds	35,004	1,766	36,770
Surplus/(Deficit) before Tax	945	3	948
Actuarial Gain/(Loss) in Respect of Pension Scheme	14,131	1,765	15,896
Total Comprehensive Income for the year	2	(2)	0
	15,078	1,766	16,844

INTEGRATED REPORT



2021/22



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