



**UNIVERSITY OF
STIRLING**

**Financial Statements
2011 – 2012**

Financial Statements

for the year ended 31 July 2012

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OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review has been prepared in accordance with the guidance issued by the UK Accounting Standards Board (January 2006). It provides an overview of the University, its objectives and targets, performance over the year, financial position and future plans.

History

The University of Stirling was the first new University in Scotland for over 400 years. We retain our pioneering spirit and a passion for excellence in all that we do. The University is located just two miles from the centre of Stirling. The magnificent 310-acre campus encompasses a loch, a golf course and the 18th-century Airthrey Castle. It is one of the most attractive campuses in Europe.

Principal operations

The University has seven established Academic Schools, and recently established an eighth, the pan-University Stirling Graduate School. The Schools reflect our academic specialisms and provide a focus to facilitate solution-based interdisciplinary research and teaching:

- School of Applied Social Science
- School of Arts and Humanities
- School of Education
- Stirling Management School
- School of Natural Sciences
- School of Nursing, Midwifery and Health
- School of Sport

The majority of operations are carried out on the University's main Stirling campus. The University also has centres of excellence in the teaching of nursing and midwifery at Inverness and Stornoway. The University educates more than 8,000 undergraduate students and 3,500 postgraduate students. Around 19% of our students come from overseas, representing over 100 countries. Our academics are attracted to Stirling from around the globe. The University also provides the ideal location for conferences and events and is a major contributor to cultural, commercial and community life.

Governance and Regulation

The University of Stirling was incorporated by Royal Charter (RC 000669) in 1967 and is a charity registered, in Scotland, with the Office of the Scottish Charity Regulator (SC 011159).

The Court of the University is, subject to the provisions of the Charter and Statutes, the executive governing body of the University and is responsible for the administration and management of the revenue and the assets of the University. The University's corporate governance arrangements and a list of the members of the University Court and Committees during the year ended 31 July 2012 can be found on pages viii to xi.

3. Mission and Vision Statements

The University's Strategic Plan 2011–2016 including our vision for the future, was approved by University Court in June 2011 and launched at the Scottish Parliament in September 2011. The Strategic Plan can be located at www.stir.ac.uk/about/our-strategy

Our Vision

To be acknowledged worldwide as a distinguished University that addresses the social and environmental needs of society through innovative, interdisciplinary research and education.

Our Mission

To be a University of distinction that is ambitious, accessible and self-reliant, and whose purpose is to develop these qualities in our students, staff and the communities we serve.

Our priorities are to:

- enhance the student experience by putting students first
- improve research performance and postgraduate enrolment
- be a vibrant intellectual community for scholars and the region
- connect locally and globally to students, alumni, academia and business
- be aware of society's needs and respond to them.

Performance during the year

The Strategic Plan includes eight key targets which are used to measure how the University is performing against its objectives. The targets are reported in the annual Plan for Academic Success (PAS) using a "traffic light" grading system. Over the last academic year two of the targets have been graded as green, three as amber and two as red. The eighth target relates to our Internationalisation Strategy which has been drafted this year and progress will not be able to be measured in this area until 2012-13.

League table analysis is another measurement against performance. The University of Stirling is ranked number one in Scotland and eighth in the UK in The Times Higher Education 100 Under 50 table, which ranks the world's best 100 universities under 50 years old. Universities are judged against the same 13 balanced performance indicators – covering teaching, research, knowledge transfer and internationalization – as the traditional World University Rankings, but with less emphasis on reputation and more emphasis on the hard objective performance indicators. The table is tested against Times Higher Education's gold standard global performance indicators.

Within the established league tables for Scotland our overall ranking in the Complete University Guide has moved from 7th to 8th place, within the Guardian University League Tables our position moved from 8th to 9th place and in the Times Good University Guide we retained our 8th position. In the Sunday Times league tables our position returned to 8th in Scotland following our move from 8th to 7th place last year. Movement was anticipated and is partially due to the timing of the survey which reflects a period when there was an increase in our student: staff ratio arising from a significant increase in our student numbers relative to our academic staff base. With the implementation of the Strategic Plan and the monitoring of the key targets through the PAS, we expect our position in the league tables to improve by 2014.

Stirling was one of 15 universities in the UK to be awarded the HR Excellence in Research Award from the European Commission on 5 September 2011. Stirling is now part of a select group of only 38 universities in the UK which have achieved this Award. The HR Excellence in Research Award is made to universities which increase the attractiveness and sustainability of research careers and also recognises compliance with the Research Councils UK (RCUK) Concordat to Support the Career Development of Researchers.

The University was also awarded the title of Nurse Education Provider of the Year (pre-registration) at the inaugural Student Nursing Times Awards 2012 and the Stirling Dementia Services Development Centre (DSDC) was a finalist in the Independent Specialist Care Awards 2012.

In non-academic league tables, the University of Stirling ranked first in the Scottish higher education sector of the Carbon Reduction Commitment (CRC) performance league table, and is ranked 16th overall in the UK league table in the CRC Energy Efficiency Scheme. The mandatory programme, introduced by the UK Government in 2008, is an emissions trading scheme that aims to reduce carbon dioxide emissions through energy efficiency.

Teaching

The University's commitment to teaching and learning excellence is demonstrated in the results of the National Student Survey 2012. This survey seeks to measure student satisfaction with the broad statement "Overall I am satisfied with the quality of the course". The 2012 Survey results indicate that we have moved from 3rd in Scotland in 2011 down to 7th place with Dundee, Heriot-Watt and Strathclyde all improving although our actual score only decreased by 1% as shown in the table below.

NATIONAL STUDENT SURVEY 2009 - 2012 comparison

Overall I am satisfied with the quality of the course

Institution	% Agree 2009*	% Agree 2010*	% Agree 2011*	% Agree 2012*
Heriot Watt University	81	87	86	91
University of St Andrews	92	93	93	90
University of Dundee	88	87	86	90
University of Glasgow	90	90	90	89
University of Aberdeen	89	89	88	89
University of Strathclyde	86	86	87	89
University of Stirling	88	89	88	87
Robert Gordon University	84	84	86	87
Scottish Average		86	86	86
Glasgow Caledonian University	84	83	82	85

NATIONAL STUDENT SURVEY cont'd 2009 - 2012 comparison

Overall I am satisfied with the quality of the course

Institution	% Agree 2009*	% Agree 2010*	% Agree 2011*	% Agree 2012*
University of the West of Scotland				85
UK Average	82	83	83	85
University of Edinburgh	83	86	85	83
Queen Margaret			78	83
Napier University	81	80	83	82
University of Abertay Dundee				82
Glasgow School of Art	69	65	73	77

* Respondents answered 'Mostly Agree' or 'Definitely Agree'

The Scottish Funding Council limits the number of full-time Scots / EU undergraduate students by setting an indicative population target for non-controlled subjects, and an intake target for controlled subjects. In 2010-11, the University exceeded the maximum permissible student number, and this resulted in a claw-back of tuition fee income received from the Student Awards Agency for Scotland (SAAS). The home undergraduate intake was therefore reduced in 2011-12 to bring student numbers within consolidation limits.

The Strategic Plan 2011-16 includes a target to increase TPG student numbers by 30% over the lifetime of the Plan, from a baseline of 1,330 FTE in 2010-11 to 1730 by 2015-16. The strategy for achieving this goal includes the establishment of the Stirling Graduate School which was established in October 2011. The Graduate School will lead to improved cross-institutional delivery of postgraduate programmes and growth in taught postgraduate (TPG) numbers and associated fee income. The School will also seek to enhance the diversity of our postgraduate population and ensure an integrated and consistent set of support arrangements for all postgraduates.

Strategies to consolidate and grow both the home and overseas TPG population are outlined in the PAS. They include increased market research activities, pro-active partnership working between academic Schools and services, revised online application facilities and a programme of focused conversion activities.

Research

Our world-class research is focused around five core areas of enterprise and the economy, health and well-being, culture and society, environment, and sport.

In June 2011 University Court approved the Research Strategy for 2011-2014. The strategy which can be found on the University web site (www.foi.stir.ac.uk/documents/ResearchStrategy2011-2014.pdf) is founded upon a comprehensive analysis of our current research performance and the policy, funding and business environment in which we operate.

The University is committed to achieving a substantial improvement in research performance over the lifetime of the Strategic Plan as set out in the PAS. Although research grant and contract income declined by 2.2% in 2011-12, this decline represented a low point in the cycle and based on a number of significant research awards in 2012-13, the University forecasts annual growth of 11% over the next three years. This will be a significant achievement in a highly competitive environment for research funding available from external sponsors.

During the year the Deputy Principal (Research) carried out an institution-wide review of research to inform future strategy and in preparation of the Research Excellence Framework (REF). Preparation of the University's REF submission will be governed in accordance with a Code of Practice approved by Court in June 2012.

An increase in the research postgraduate population was identified as a priority in the PAS. An increase of 2.0% has been achieved against 2010-11 FTE numbers, which is on top of an 11.3% increase in the previous year. As a result of the upward trend in research postgraduate numbers, the University will receive an increase of 52% in the 2012-13 postgraduate research grant. The PAS 2012-13 provides a range of scholarship opportunities to consolidate and build upon this success.

During 2012 the University completed the implementation of a new Research Management System (RMS). The RMS brings a number of benefits including the recording and managing of information from a single data source along with a comprehensive record of publications and other research outputs. The benefits of this system will support the research strategy REF submission and related objectives.

Internationalisation

During the year the Deputy Principal for Education and Teaching was appointed to lead internationalisation across the University. This role includes developing strategic partnerships that improve research performance, increasing international student enrolment, enhancing the international student experience and stimulating the intellectual community.

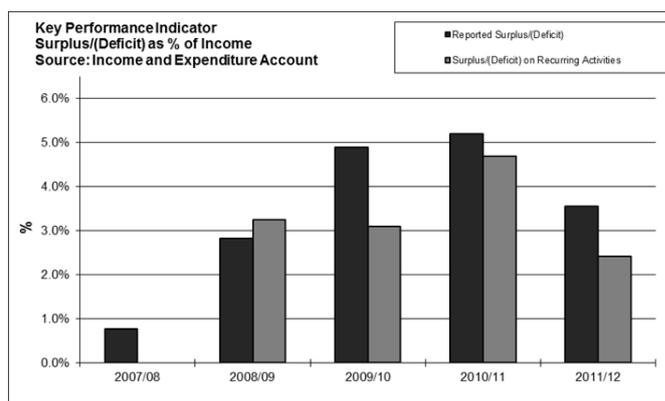
International developments throughout the year include the signing of a collaborative agreement with the Singapore Institute of Management and Singapore Workforce Development Agency in September 2011. This initiative involves the delivery of the BA (Hons) Retail Marketing degree to students in Singapore. This collaboration represents a significant step in the University's delivery of transnational education and highlights the important contribution Scottish academic institutions can play in the global education market. The programme is generously supported by the Singapore Workforce Development Agency, which is providing 90 scholarships over a three year period.

FINANCIAL REVIEW

The summarised income and expenditure account for the year ended 31 July 2012, together with comparative figures for 2010-11 are shown as follows:

	2012 £'000	2011 £'000
Income	99,086	102,184
Expenditure	<u>(96,685)</u>	<u>(97,341)</u>
Surplus on recurring activities	2,401	4,843
<i>As % of Income</i>	2.4%	4.7%
Add:		
Transfer from accumulated income within endowment funds	(10)	31
Impact of FRS 17 (pensions) disclosure	1,128	418
Surplus for the year retained within general reserves	<u>3,519</u>	<u>5,292</u>
<i>As % of Income</i>	3.6%	5.2%

The University has generated a surplus of £3,519k (3.6% of income) in 2011-12 as illustrated in the chart below:



Income

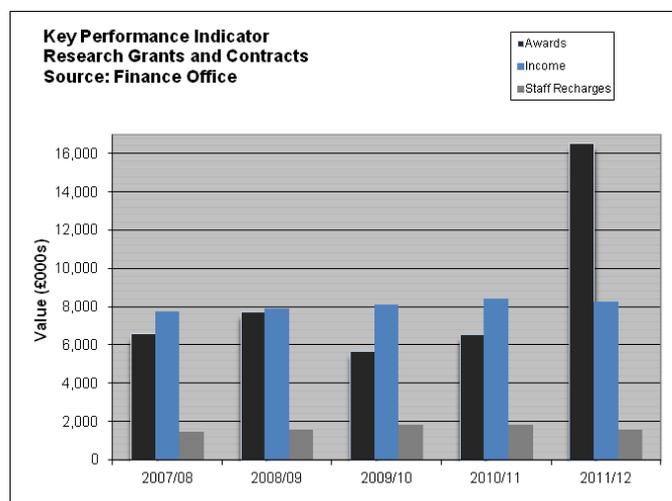
Total income on recurring activities has decreased by £3.1 million (-3.0%). The majority of the decrease is within Scottish Funding Council grants, £3.3 million (-8.3%) which is largely a result of the Scottish Governments cuts to the General Teaching Grant (£2.8m, -9.5% in-year). There has also been a year-on-year decrease in tuition fees of £382k (-1.3%) as it has proved particularly difficult to achieve the home and EU targets this year along with a year-on-year decrease of Research Grants and Contracts £184k (-2.2%) which is a result of an increasingly competitive market for this funding.

Expenditure

Total expenditure on recurring activities has been reduced by 0.7% (£655k) which is a result of planned cost reduction measures put in place and monitored closely across the institution throughout the year. There has also been a reduction of £190k (-2.7%) in depreciation charges which reflects the capital plan. Staff costs have remained more or less static year-on-year.

Research Grants and Contracts

The overall contribution from research grants and contracts was £3.4 million, with £1.8 million coming from overheads and £1.6m from staff recharges. The level of staff recharges started to increase a number of years ago when Full Economic Costing (fEC) was introduced and now seems to have levelled off at around 20% of income as shown in the chart below.



The value of applications for research grants and contracts have increased to £69m in 2011-12. This increase in applications has contributed to the increase in the value of awards to £16.5m in 2011-12 as shown in the chart above. The new research grants awarded include six large grants which alone have increased the award value by £6.7m, with each grant in excess of £700k. The increase in awards will result in increased research income over the next few years providing the expenditure on the grants follows the budgeted profile.

Balance Sheet and Cash Flow

The University Balance Sheet strengthened this year, with total fixed assets in excess of £75 million. Capital works of £5.6 million have been financed from reserves, loans and external grants.

The cash position within the institution has increased by £7.3 million year-on-year. This large movement is due to a combination of factors including the increased creditor's total of £5.4m which is partially due to increased research awards which have not yet been claimed and a £1.5m loan for the residences project.

This improved cash position has resulted in a net current asset figure of £3.6m in 2011-12 compared with the near neutral position on the balance sheet in 2010-11. Net assets of the University, excluding pension's liability, increased during the year by £0.4 million from £77.7 million in 2010-11 to £78.1 million in 2011-12.

The pension liability in the year has decreased by £1.5m from £6.1m at 31 July 2011 to £4.6m at 31 July 2012. This was partially due to the change in the long term salary growth assumption from 4.5% p.a. to 1.87% p.a. which has resulted in a lower value being placed on the liability, off-set by a loss on assets due to the equity markets returning less than assumed during the year.

Capital Expenditure

During the year £5.6 million was capitalised in the University's on-going programme of capital work. The main project was the residences redevelopment project which started in 2010-11 with £446k of design and professional fees incurred. During 2011-12 planning consent was approved by Stirling Council and the main construction contractor was appointed. Phase I of the project started in the summer of 2012, with new accommodation being developed on the site of the existing garages adjacent to Polwarth House and at Alexander Court. Total costs of £1.3m were incurred in 2011-12.

Other significant investments include £725k in sports on the refurbishment of the running track and artificial pitches along with investments made in information system projects; namely Research Management System, Business Information System and the Website Platform project. Total spent on these three projects in the year amounted to £570k.

Senior Management Team

The reconfigured senior management team is now in place with Professor Steve Burt as the Senior Deputy Principal and Professor John Gardner the Deputy Principal for Education and Students with Professor Edmund Burke, the Deputy Principal for Research.

The University Secretary, Kevin Clarke retired in March 2012 after 17 years of service and the University has now appointed Jocelyn Prudence, formerly the Chief Executive of the Universities and Colleges Employers Association (UCEA), as University Secretary.

Professor Leigh Sparks was appointed as the first Head of the Stirling Graduate School.

Future developments and principal risks and uncertainties

A number of developments in the external environment will impact on the University's strategic and financial planning during 2012-13 and beyond, including:

Scottish Funding Council (SFC) Grants:

In December 2011, the Scottish Parliament passed legislation de-regulating fees charged to rest-of-UK (RUK) students from 2012-13. As a result, the SFC is only providing funded places for Scottish and other EU students and will no longer fund new RUK entrants to Scottish universities. This translated through as a net reduction in the University's main teaching grant of more than £800k. As the last funded RUK cohort progresses this reduction will increase on a cumulative basis. To fill the gap created and maintain student numbers and associated income levels, the University will be targeting new RUK undergraduates and is required to recruit a minimum number to maintain existing levels of funding.

The main grant letter also confirmed the changes in research funding methodology with the removal of REG funding for 2* research from 2012-13. The new methodology will also increase the weighting associated with 4* research compared to 3* research. As a result, the University's Research Excellence Grant decreased by -4.1% against the 2011-12 allocation which equates to £217k. This loss has been offset by an increase in research postgraduate grant as mentioned in the research section on page iv.

As a condition of the grant for 2012-13, the SFC has introduced Outcome Agreements for all SFC funded institutions. Following an iterative process with SFC officers, the University presented its first such outcome agreement to Court in October 2012. The outcome agreements are intended to “provide a new level of accountability and will be used to drive efficiencies, improve performance, match capacity to need, and enhance quality within the sector”.

The University recognises the need to maximise opportunities for students from disadvantaged backgrounds, and we work within the constraints of the strict cap on student numbers to achieve greatest benefits for this group. In 2010-11, the University enrolled 160 Scottish domiciled entrants from the most deprived 20% areas of Scotland, which was equivalent to 9.3% of all Stirling's Scottish undergraduate entrants. This reflects our fair and open approach to admissions and our commitment to widening access. Further progress in this area will be sought in 2012-13, but activity is constrained by the low level of direct funding from the SFC. In 2012-13, Stirling will receive less than 0.4% of the £27.9 million allocated nationally for widening access.

The University did not receive any of the additional 300 teaching places in Science, Technology, Engineering and Mathematics (STEM) announced by the SFC in December 2011, and is unlikely to receive any of the further 900 places to be allocated under the same methodology in the next two years. This is due to the current interpretation of STEM and the allocation of the additional places to universities that made submissions to particular units of assessment in the Research Assessment Exercise (RAE) 2008. This policy has excluded high impact research undertaken by the University of Stirling across the STEM landscape in areas of national strategic importance such as aquaculture, marine biotechnology and sustainable ecology, as well as computing science and mathematics.

The review of post-16 education:

The review of post-16 education includes potential changes to the shape and structure of the higher education sector in coming years with an increased focus on regulation and accountability to Ministers in respect of public funds received. By using Outcome Agreements as a condition of grant, the SFC will work with institutions to set targets in relation to key priorities around widening access, knowledge exchange and patterns of provision in certain subjects for each institution.

The review of nursing provision in Scottish HEIs:

Following the national review of nursing provision, led by the Deputy Chief Nursing Officer, the SFC has asked universities to work together for a solution to the provision of nursing education as part of the Outcome Agreement process. The potential impact for Stirling is not currently known.

The review of HE Governance:

This review was published by the Scottish Government in early February 2012 and poses considerable challenges to the autonomy of Scottish HEIs. The Committee of Scottish Chairs has agreed with the Cabinet Secretary that preparation of a new Scottish Code of Governance will be taken forward in 2012-13.

Single Knowledge Exchange Office:

As a condition of grant, the SFC has confirmed the establishment of a single Knowledge Exchange Office (KEO) within the next two years. It is not yet clear how a single KEO will operate, and the sector has expressed concerns that the model of a single KEO may not be able to reflect the diverse needs of Scottish universities and businesses. It is also not clear if knowledge transfer grants will be reduced in future years to fund the centralised KEO.

Changes to the Postgraduate Student Allowances Scheme (PSAS):

From session 2012-13, the current Postgraduate Student Allowances Scheme will be replaced with a repayable Postgraduate Tuition Fee Loan (PTFL). Full-time students on eligible programmes will be able to receive a loan of £3,400. At Stirling, home/EU students on 21 courses will be eligible for the loans, where previously there was an option to apply for a non-repayable grant. The impact of this change may lead to reduced demand from home/EU and could affect the diversity of the postgraduate population. This risk has been taken into account during the budget setting process.

Introduction of Key Information Sets (KIS):

From September 2012, Scottish universities are required to provide Key Information Sets as part of the public information requirements of the Quality Enhancement Framework. The aim of KIS is to ensure that prospective undergraduate students are better equipped to make informed choices about higher education. From a technical perspective, however, the short lead-in time poses considerable challenges in being able to collect and validate all the information required. It is likely that KIS will be used to create a new set of university league tables.

Introduction of the Higher Education Achievement Record (HEAR):

The HEAR will provide detailed information about a student's learning and achievement to supplement the traditional degree classification. It will be issued to graduates across the sector from 2012-13 and will again require significant development work to ensure systems are set up to provide all the information required.

Efficiency Review:

In July 2011, Universities Scotland published 'Working Smarter,' which announced the formation of the Universities Scotland Efficiencies Taskforce (USET). The taskforce will bring forward an Efficiencies Plan covering the period 2012-15. This will outline collaborative and individual institutional activity contributing towards the £26 million per annum efficiency target for the sector.

UK Border Agency (UKBA):

The UKBA's requirements for proactively managing and monitoring Tier 4¹ students have become increasingly onerous, and the risks associated with non-compliance are significant. With the significant increase in UKBA's expectations and the robustness of UKBA audits in 2012, a range of new measures has been put in place which has required additional resource. These requirements include regular re-registration processes, monitoring of the maintenance of International English Language Testing System (IELTS) qualifications, monitoring of Academic Technology Approval Scheme (ATAS) certification and increased reporting requirements to UKBA. This is an area

¹ The Tier 4 (General) category is for adult students who want to come to or remain in the UK for their post-16 education.

of risk to the University and its operation. The maintenance of our Highly Trusted Sponsor status is essential to our operations including the University's ability to recruit and retain international students and staff. Considerable time and effort has therefore gone into complying with UKBA's requirements.

Risk Management

These developments present risks and uncertainties to the University. The University is actively managing these risks through the Strategic planning process with the implementation of the PAS described in the performance section on page 4.

The key priorities identified in the 2012-13 PAS are:

- The need for targeted investment in academic posts that contribute directly to the achievement of the University's strategic priorities, including growth in TPG and RPG numbers, growth in research income, and a strong REF position in 2014;
- The importance of improved marketing, market research and fundraising capacity to sustain and develop income streams and a desire for greater partnership working between and across academic Schools and Services;
- The need to consolidate and improve investment in PhD studentships and other forms of student support;
- The importance of maximising recruitment of RUK students;
- A need to ensure the viability of TPG programmes and to be confident about the robustness of student recruitment targets;
- The need to reconsider the institutional REF strategy in light of changes to the external funding environment, namely the funding of 3* and 4* research only;
- The need to optimise staff recruitment strategies by marketing the institution more effectively, and considering innovative ways to fill vacancies with high calibre appointments;
- The need to enhance capacity within Information Services to enable the University to improve the online application process and fulfil new external requirements (e.g. KIS and HEAR);
- Consideration of institutional space issues, particularly in light of potential new investment in staff, increased focus on efficiency and growing student numbers.

The University is addressing these priorities by:

- investing in new academic research and teaching appointments
- increasing support for postgraduate students
- investing in posts to support improved marketing, market research and fundraising
- investing in support posts in information services and the Research & Enterprise Office
- investing to support Internationalisation across the institution
- consolidating and growing the taught postgraduate population

- maximising the recruitment of RUK undergraduates
- encouraging and facilitating improved partnership working between Schools and services

Other developments with risks and uncertainties include the residences development project. In May 2012 the University finalised a multi-million pound finance package to fund construction of the residences which began this summer. The financial package will enable the University to replace over 40 per cent of student accommodation on campus in a project phased over three years.

This is the largest capital project the University has undertaken since it was founded in 1967 and is an important development in attracting both domestic and foreign students to the University. Over the life-cycle this will be a self-financing project which will not impact on our recurrent activities as the loans will be re-paid from rental income. Building commenced in August 2012.

Staff Involvement

The University places considerable value on the involvement of its employees and on good communication with them. Staff are informed of key issues and other relevant matters through regular meetings, the University portal, open forums such as the annual Staff Assembly and weekly e-bulletins. Staff are encouraged to participate in formal and informal consultation at University, School and Divisional levels through membership of formal Committees and informal working groups.

The University's bi-annual staff survey took place during the early part of 2012. The survey results were fully communicated to staff and progress reports on actions taken were presented to the Joint Policy Planning and Resources Committee in September 2012. A year-on-year comparison of the questions which can be measured has revealed that there were 76 issues with statistically significant differences, 71 of these were improvements and five which had deteriorated.

Commitment to Quality

The University's strategy for learning, teaching, quality assurance and enhancement is designed to ensure the continuing development of the University as an effective and inclusive learning community in which all students and staff are both learners and active participants. The University of Stirling seeks to excel in teaching, research and community engagement. It combines pursuit of scholarship and research at an international level with high quality teaching and promotion of wider access and knowledge transfer.

Diversity and Equality

Through good governance and accountability the University is proactive in complying with its statutory and obligatory requirements including health and safety regulations, financial regulations, employment laws and diversity and equality.

It aims to integrate the promotion of equality and diversity into all its activities from key decisions on its mission and strategic objectives through to day-to-day operations. It does not tolerate harassment, victimisation or unjustified discrimination on the grounds of gender, race/ethnic origin, disability, age, religion or belief, sexual orientation, pregnancy, marital or civil partnership status, caring responsibility or other irrelevant characteristics, and is committed to working with diversity in a wholly positive way to promote fairness, inclusiveness, and good relations.

To achieve compliance with legislation, the University updated its equality and diversity policy in October 2011. The University also created an equality and diversity training module for all staff, which all new staff are asked to complete as part of their induction.

The University gives full consideration to applications for employment from disabled persons. Where existing members of staff become disabled, it is the University's policy and practice wherever practicable to make reasonable adjustments and provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The University actively seeks the views and opinions of members of its community and liaises with external bodies, representative groups and users on the effectiveness and development of policies. All individuals and organisations with which the University has a contractual arrangement are expected to uphold the principles of equality and diversity and not to be party to situations which could lead to unfair discrimination, harassment or victimisation.

Prompt Payment to Suppliers

It is the University's policy to abide by terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later.

The level of creditors in terms of the proportion of the year-end creditors to the aggregated invoiced amounts as at the 31 July 2012 was 30 days.

Treasury Management

The financing and liquidity of the University and its exposure to financial risk are managed through the central treasury function of the Finance Office. The University's Treasury Management Policy sets out the policies, practices and objectives of the institution's treasury management activities, as agreed by Court, and covers the University of Stirling and all its controlled subsidiary undertakings. The University adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice.

Professional Advisors

External Auditors / Tax Advisors	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Internal Auditors	PricewaterhouseCoopers LLP Erskine House 68-73 Queen Street Edinburgh EH2 4NH
Bankers	Bank of Scotland Corporate Service Centre 150 Fountainbridge Edinburgh EH3 9PE
Solicitors	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY



A. Sturgess
Chair, Joint Policy Planning and Resources Committee
10 December 2012

CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the revised UK Corporate Governance Code, formerly the Combined Code, which was published in May 2010 by the Financial Reporting Council. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

The Court is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Court is of the view that there is an on-going process for identifying, evaluating and managing the University's significant risks that has been in place for the period up to the date of approval of the financial statements. This process has been reviewed and approved by Court. It accords with the internal control guidance for directors in the revised UK Corporate Governance Code.

The Court considers that the University has adequate resources to enable it to continue in operational existence for the foreseeable future.

THE WORKINGS OF THE UNIVERSITY COURT AND ITS COMMITTEES

Court

In accordance with the University's Charter, the Court is the Governing Body of the University with overall responsibility for the management of the University's resources, the on-going strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day to day operation of its business.

The Deputy Secretary's Office recently undertook a review of the University's Committee structure. The purpose of the review was to ensure that:

- (i) Committees remain fit for purpose, and their remits and composition accurately reflect the business and strategic priorities of the institution and the constituencies they serve
- (ii) Committee structures support effective and efficient institutional decision-making and governance
- (iii) Duplication of business is avoided
- (iv) The number of committees is kept to a minimum

The first phase of the review resulted in the establishment of the Joint Policy, Planning & Resources Committee which is a joint committee of University Court and Academic Council and replaces the previous Finance and Resources Committee and Policy and Planning Committee. The second phase of the review was approved by University Court in October 2012 and contained a number of recommendations including the alignment of strategic priorities, school structures and institutional governance structures; streamlining governance structures and decision making processes and enhancing the effectiveness of existing committees. Work being led by the Academic Registrar is still on-going to ensure these recommendations become operational.

On matters relating to the academic work of the University, Court will normally only act on the recommendation or with the concurrence of the Academic Council, the existence and membership of which is provided for in the University's Charter and its allied instruments, the Statutes and Ordinances. This is partly facilitated by the new joint Committee of University Court and Academic Council which will take an overview of integration of strategic planning.

The membership of the Court, some of whom are ex officio, comprises lay members, who are in the majority, the balance being made up of staff and student members as prescribed by Statute. The Chair of Court is a lay member and is supported by lay Chairs of the Joint Policy, Planning and Resources Committee and the Audit Committee. The University's Chief Executive is the Principal and Vice-Chancellor.

The Court Appointments Committee seeks and considers recommendations for potential lay members of Court. The Court meets formally four times per year, with a residential strategy conference in the spring.

In line with good practice, Court undertook a review of its own effectiveness in 2011-12, which considered the extent of Court's compliance with the CUC Guide for Members of Higher Education Governing Bodies in the United Kingdom and also gave all Court members and senior officers the opportunity to comment on the effectiveness of Court. The overwhelming majority of people questioned were content with the way Court operates and that good governance processes were in place. A number of recommendations were approved by Court following the review which included actions to help improve communication, enhancing the use of benchmarking in performance monitoring and ensuring there are clear procedures for accepting gifts and donations.

The full suite of Universities Ordinances were reviewed in 2011-12 and as a result a number of updates were approved by University Court in June 2012. Ordinance 2 on student discipline will undergo a full review during 2012-13. The Universities Ordinances and Statutes can be found on the University web pages at <http://www.calendar.stir.ac.uk/>.

Principal Committees

In January 2012 the new Joint Policy, Planning & Resources Committee was established, as mentioned above. This replaced the previous Finance & Resources Committee and Policy & Planning Committee which met jointly during autumn 2011. Throughout 2011-12 these committees considered issues relating to University's finances, estates, information services and staffing and their integration with academic planning. The committees reported matters for information and formal approval by Court as appropriate.

The Joint Policy, Planning & Resources Committee (JPPRC) also recommended to Court the University's annual recurrent budget and capital expenditure plans.

The monitoring of performance in relation to approved budgets is undertaken by the University Strategy & Policy Group on a monthly basis throughout the year through its consideration of management accounts, with periodic formal reporting to JPPRC.

The Remuneration Committee undertakes a review of professorial and senior University Services staff salaries, including that of the Principal.

The Audit Committee is responsible for assisting and advising Court on the discharge of its responsibilities in ensuring that appropriate controls are in place to safeguard all funds received by the University, and in reviewing and monitoring accounting policies and practice. It oversees the remit and findings of both the internal and external auditors, and meets with them when required to review their reports. It also reviews the Financial Statements of the University prior to their submission to Court. While senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee may meet with the Internal and External Auditors on its own for independent discussions.

The operations of the University are not without risk and therefore the University has an established risk management process which advises senior management and which is taken into consideration in the development of the Strategic Plan.

The Strategic Risk Register is regularly maintained and updated to ensure that it features explicit risk descriptions, details of mitigating actions to reduce the likelihood and impact of risks

materialising, and risk indicators, or early warning signs that a risk may be about to materialise. The institutional strategic risk register is maintained by the Policy, Planning & Governance team. Risk identification, assessment and the consideration of control measures are an integral part of the University planning process, and will continue to be further developed and integrated into plans in all areas of the University.

Business continuity and operational risks across the institution are the responsibility of the Operational Risk and Environmental Sustainability team based within Estates & Campus Services. This team has responsibility for preparing a business continuity strategy, business continuity plans (e.g. Pandemic Influenza) and ensuring that the University is resilient against disruption to its key business objectives.

The University has a Safety Policy and operates a safety management template across all activities. The template enables senior management to receive reports setting out non-financial key performance and risk indicators and to consider central issues highlighted by the operation of the system. The template is embedded in departmental and service-area management and is backed up by compulsory attendance at training sessions for all staff.

The Court receives regular audit updates throughout the year and an annual report from the Audit Committee supported by documentation from senior management and the relevant committees in order that it can complete its annual assessment for the year ending 31 July. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

ACCOUNTING RESPONSIBILITIES OF THE UNIVERSITY COURT

In accordance with the University's Charter, the Court is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards are 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 the University has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The University Court has taken all reasonable steps to:

- ensure that funds from the SFC are used only for the purposes for which they have been given, and in accordance with the Financial Memorandum with the 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 prevent and detect fraud;
- secure the economic, 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 schools and directors of service;
- 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 University Court;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Court;
- a professional outsourced Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the University Court and whose head provides the University Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the 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.

Membership of Court and Committees

	C=Court A=Audit F=FRC /PPC J=JPPRC	Committee membership dates	Attendance 2011/12			
			Court 6 in year	Audit 3 in year	FRC/ PPC ² 2 in year	JPPRC ² 2 in year
*Mr Alan G Simpson	C, F, J		6c		2	2
*Mr Harry Adam	C		3			
*Mr Simon Anderson	C		3			
*Mr Geoff D C Burns	C, F, J		4		0	1
*Professor J Campbell Gemmell	C, A	to 31/12/2011	2 (of 3)	1 (of 1)		
*Mr Paul Grice	C, F, J		5		2c	2c
*Mr Scott Haldane	A			2		
*Mr Peter Holmes	C, J		6			2
*Ms Lynne Marr	C		3			
*Mr Alistair Moffat	C	to 19/10/2011	2 (of 2)			
*Mr Richard G Murray	C, A		3	3c		
*Mr Gordon Pomphrey	C, A		4	2		
*Councillor Mike Robbins	C	from 17/05/2012	0 (of 1)			
*Mr Andrew Sturgess	C, F, J		3		1	2
*Councillor Fergus Wood	C	to 16/05/2012	1 (of 5)			
Mr Luke Fenton	C, F, J	to 31/05/2012	4 (of 5)		2	1
Mr James Moore	C, F, J		5		2	2
Mr Sam Gibbs	C, J	from 01/06/2012	1 (of 1)			0 (of 0)
Professor Brian Austin	C		4			
Professor David Bell	F, J				2	1
Professor Alison Bowes	J					2
Professor Edmund Burke	J	from 01/12/2011				2
Professor Steve Burt	C, F, J		6		2	2
Mr Kevin Clarke	F, J	to 31/03/2012			2	1 (of 1)
Professor Brigid Daniel	C	from 01/12/2011	3 (of 4)			
Professor Richard Edwards	C, F, J		5		1	2
Professor John Gardner	J	from 01/01/2012				2
Ms Gillian Geddes	C		4			
Professor Alan Goodacre	F, J				2	2
Professor Grant Jarvie	F	to 31/12/2011			2	
Professor Gerry McCormac	C, F, J		6		2	2
Ms Nicola Ring	C		2			
Professor Leigh Robinson	C	from 01/01/2012	2 (of 3)			
Professor Ian Simpson	F	to 30/11/2011			2	
Mr Mark Wilkinson	C	from 01/12/2011	4 (of 4)			
Professor Philip Wookey	F, J				2	1

* Lay members

¹ There are normally 4 meetings of Court in the year but there were additional special meetings of Court held on 12 September 2011 and 15 May 2012

² On the 31 December 2011 the Finance & Resources Committee (FRC) and the Policy & Planning Committee (PPC) ceased to exist. The Joint Policy Planning & Resources Committee was formed on the 1 January 2012.

c = Chair of Committee

INDEPENDENT AUDITOR'S REPORT TO THE UNIVERSITY COURT OF THE UNIVERSITY OF STIRLING

We have audited the financial statements of the University of Stirling for the year ended 31 July 2012 set out on pages 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the University Court of the University of Stirling and auditor

As explained more fully in the Statement of Accounting Responsibilities of the University Court set out on page X, the University Court of the University of Stirling are responsible for the preparation of the financial statements which give a true and fair view. We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University Court of the University of Stirling; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2012 and of its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and the Statement of Recommended Practice: accounting for further and higher education; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects:

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

Matters on which, under the terms of our engagement, we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the terms of our engagement require us to report to you if, in our opinion:

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- adequate and 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.



DJ Watt

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
Saltire Court
20 Castle Terrace
EH1 2EG

19 December 2012

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards. They conform to the Accounts Direction and other guidance published by the Scottish Funding Council.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of Investments.

The financial statements do not include those of the Students' Union because the University does not control those activities.

Income Recognition

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

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

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

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the University are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

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

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

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

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

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and reported in the statement of total recognised gains and losses

Agency Arrangements

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

Leases and Hire Purchase Contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Taxation

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 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 and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Land and Buildings

The land on which the campus is situated has been gifted and is therefore not shown at cost or valuation. Other land and buildings are stated at cost. Buildings, including leasehold, are depreciated taking into account age, depreciation to date, and useful life or duration of lease.

Capitalised buildings are depreciated over their useful economic life according to their constituent parts as follows:

Long-term e.g. foundations & structure (30%-40% of cost)	- 80 years
Medium-term e.g. services (35%-45% of cost)	- 10 to 40 years
Short-term e.g. internal fittings (20%-25% of cost)	- 5 to 10 years

These rates have been implemented for all assets with effect from 1 August 2000.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Refurbishment improvements costing less than £25,000 per individual item or group of related items is written off to the income and expenditure account in the year of construction. All other refurbishment improvements are capitalised and depreciated over 15 years which is the expected interval between such refurbishments.

A review for impairment of all assets categorised as freehold and leasehold land and buildings, in the year end financial statements, is carried out annually.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Maintenance of Premises

The University's long term maintenance arrangements are based on the Condition Survey, which forms the basis of the ongoing maintenance of the estate. The cost of routine and long term maintenance is charged as incurred to the income and expenditure account.

Equipment

Equipment costing less than £25,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost and depreciated over its useful economic life.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

Software

Costs associated with the implementation of corporate information systems are capitalised and depreciated over the expected useful life of the systems.

Heritage Assets

Works of art and other valuable artefacts (heritage assets) and valued at over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Investments

Listed investments held as fixed assets or endowment assets are shown at market value. Investments in subsidiary undertakings are shown at the lower of cost or net realisable value, and investments in associates are shown in the consolidated balance sheet at attributable share of net assets.

Current asset investments, which may include listed investments, are shown at the lower of cost and net realisable value.

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Fish Farm stocks are computed on a going concern basis using values agreed for insurance purposes, suitably discounted to arrive at a cost equivalent.

Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise assets held as readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Foreign Currencies

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

Financial Instruments

The University uses derivative financial instruments called interest rate swaps to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. In instances where the derivative financial instrument ceases to be a hedge for an actual asset or liability, then it is marked to market and any resulting profit or loss recognised at that time.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting for Charitable Donations

Unrestricted donations

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

Endowment Funds

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective

Total return on investment for permanent endowments

Total return is the whole of the investment return received by the University on the permanent endowment funds regardless of how it has arisen.

The total return, less any part of the return which has previously been applied for the purposes of the University, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

Donations for fixed assets

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

Gifts in Kind, including Donated Tangible Fixed Assets

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

Accounting for Retirement Benefits

The University has fully adopted accounting standard FRS 17 "Retirement Benefits" in the preparation of these financial statements. The impact of this standard has been reflected throughout.

The difference between the fair value of the assets held in the University's defined benefit scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method for USPS and USPSCS are recognised in the University's balance sheet as a pension scheme asset or liability as appropriate.

The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the University are charged to the Statement of Total Recognised Gains and Losses in accordance with FRS 17 "Retirement Benefits".

The two principal pension schemes of the University are The Universities Superannuation Scheme covering academic and related staff and the University of Stirling Pension Scheme covering other staff. In addition, the University has set up a scheme for the non-academic staff transferred from the former Colleges of Nursing under a contract from the Scottish Executive. This Scheme was initiated on 1 September 1996. The operating principles of the schemes are as follows:

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated 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 and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The University of Stirling Pension Scheme

The University of Stirling Pension Scheme is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the Scheme are held separately from those of the University. The Trustees have invested the Funds with Legal & General Assurance (Pensions Management) Limited, Schroder Pension Management Limited and BlackRock Investment Management (UK) Limited. The administration and actuarial services are provided by Aon Hewitt. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the University. The Contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method.

The University of Stirling Pension Scheme for Contract Staff

The University of Stirling Pension Scheme for Contract Staff is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the Scheme are held separately from those of the University. The Trustees have invested the Funds with Friends Provident Corporate Pensions Ltd. Actuarial and administration services are provided by Jardine Lloyd Thomson Benefit Solutions with Aon Hewitt providing independent advice. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the University. The Contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method.

A small number of staff remain in other pension schemes.

Provisions, Contingent Liabilities and Contingent Assets

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

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

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

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
INCOME			
Scottish Funding Council Grants	1	36,822	40,160
Tuition Fees and Education Contracts	2	28,142	28,524
Research Grants and Contracts	3	8,255	8,439
Other Income	4	24,959	24,870
Endowment and Investment Income	5	908	191
Total Income		<u>99,086</u>	<u>102,184</u>
EXPENDITURE			
Staff Costs	6	57,660	57,650
Other Operating Expenses	7	31,026	32,212
Depreciation	9	6,871	7,061
Total Expenditure	8	<u>95,557</u>	<u>96,923</u>
Surplus on continuing operations after Depreciation of Fixed Assets and before Tax		3,529	5,261
Taxation		<u>0</u>	<u>0</u>
Surplus on continuing operations after Depreciation of Fixed Assets and after Tax		3,529	5,261
Transfer to / (from) accumulated income within endowment funds		(10)	31
Surplus for the year retained within General Reserves		<u>3,519</u>	<u>5,292</u>

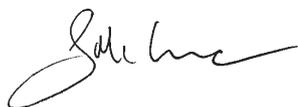
It is considered there will be no corporation tax liability for the year.
The income and expenditure account is in respect of continuing activities.
There is no difference between these figures and historical cost figures.

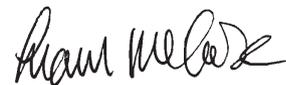
BALANCE SHEET

as at 31 July 2012

	Note	2012 £'000	2011 £'000
Fixed Assets			
Tangible Assets	9	75,096	76,348
Investments	10	349	324
		<u>75,445</u>	<u>76,672</u>
Endowment Assets			
	11	<u>1,512</u>	<u>1,496</u>
Current Assets			
Stocks		869	746
Debtors	12	7,429	7,802
Cash at Bank and in Hand		19,439	12,141
		<u>27,737</u>	<u>20,689</u>
Creditors: Amounts falling due within one year	13	<u>(24,165)</u>	<u>(20,215)</u>
Net Current Assets		<u>3,572</u>	<u>474</u>
Total Assets less Current Liabilities			
		80,529	78,642
Creditors: Amounts falling due after more than one year	14	(1,500)	0
Provisions for Liabilities and Charges	16	(936)	(958)
Net Assets excluding Pensions Liability		<u>78,093</u>	<u>77,684</u>
Net Pensions Liability		<u>(4,564)</u>	<u>(6,093)</u>
Net Assets including Pensions Liability		<u><u>73,529</u></u>	<u><u>71,591</u></u>
	Note	2012 £'000	2011 £'000
Deferred Capital Grants			
	17	<u>33,119</u>	<u>35,117</u>
Endowments			
Permanent	18	245	228
Expendable	18	<u>1,267</u>	<u>1,268</u>
		<u>1,512</u>	<u>1,496</u>
Reserve			
General Reserve	19	43,462	41,071
Pension Reserve	19	<u>(4,564)</u>	<u>(6,093)</u>
Total Reserves		<u>38,898</u>	<u>34,978</u>
Total		<u><u>73,529</u></u>	<u><u>71,591</u></u>

The financial statements on pages 1 to 31 were approved by University Court on the 10 December 2012 and signed on its behalf by:


G. McCormac
Principal and Vice-Chancellor

A. Sturgess
Chair, Joint Policy Planning and Resources Committee

L. F. McCabe
Director of Finance

CASH FLOW STATEMENT

for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Cash flow from Operating Activities	20	11,469	9,361
Returns on Investment and Servicing of Finance	21	267	139
Capital Expenditure and Financial Investment	22	(4,425)	(2,000)
Financing	23	1,495	(5)
Increase in Cash in the year		<u>8,806</u>	<u>7,495</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBTS)

	Note	2012 £'000	2011 £'000
Increase in Cash in the year		8,806	7,495
Cash inflow from new loan	23	(1,500)	0
Cash outflow in respect of loan and lease finance repayments	23	5	5
Change in Net Funds resulting from cash flows		<u>7,311</u>	<u>7,500</u>
Finance Lease non-cash transaction		0	0
Movement in Net Funds in Period		7,311	7,500
Net Funds at 1 August	24	13,450	5,950
Net Funds at 31 July	24	<u>20,761</u>	<u>13,450</u>

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES*for the year ended 31 July 2012*

	Note	2012 £'000	2011 £'000
Surplus on continuing operations after Depreciation of Fixed Assets and after Tax		3,529	5,261
Appreciation of Endowment Asset Investments	18	6	15
New endowments	18	0	165
Actuarial gain in respect of pension scheme	25	401	8,467
Total gains recognised in the year		<u>3,936</u>	<u>13,908</u>
Reconciliation			
Opening reserves and endowments		36,474	22,566
Total recognised gains and losses for the year		3,936	13,908
Closing reserves and endowments		<u>40,410</u>	<u>36,474</u>

NOTES TO THE ACCOUNTS

Note	2012 £'000	2011 £'000
1. Scottish Funding Council Grants		
General Fund - Teaching	26,338	29,100
General Fund - Research	6,124	6,240
Horizon Fund	2,161	2,820
Other SFC Grants	157	55
Deferred Capital Grants Released in Year		
Buildings (note 17)	1,537	1,501
Equipment (note 17)	505	444
	<u>36,822</u>	<u>40,160</u>
2. Tuition Fees and Education Contracts		
UK and EU Fees	13,181	14,362
Non-EU Fees	13,118	12,806
Non-credit Bearing Course Fees	1,291	951
Research Training Support Grants	552	405
	<u>28,142</u>	<u>28,524</u>
3. Research Grants and Contracts		
Research Councils	1,770	2,141
UK Charities	1,022	1,256
Government Departments	3,079	3,001
UK Industry and Commerce	305	414
European Commission	1,071	1,204
Other Overseas	551	351
Other	457	72
	<u>8,255</u>	<u>8,439</u>

NOTES TO THE ACCOUNTS - continued

Note	2012 £'000	2011 £'000
4. Other Income		
Consultancy and Other Services Rendered	3,897	4,316
Catering	1,091	1,084
Residences	8,753	8,543
Commercial Operations	821	903
Stirling Management Centre	3,405	3,231
Aquaculture External Facilities	916	808
Sports Development Services	1,666	1,697
Other Income	3,664	3,488
Released from Deferred Capital Grants		
Buildings (note 17)	694	748
Equipment (note 17)	52	52
	<u>24,959</u>	<u>24,870</u>
5. Endowment and Investment Income		
Income from Expendable Endowments (note 18)	56	36
Income from Permanent Endowments (note 18)	13	0
Other Interest Receivable	198	103
Net Return on Pension Assets	641	52
	<u>908</u>	<u>191</u>

NOTES TO THE ACCOUNTS – continued

Note

6. Staff Costs	2012	2011
Staff Numbers by Major Category	F.T.E.s	F.T.E.s
Academic Schools	553	560
Academic Services	98	102
Administration and Central Services	211*	193
Premises	151	156
Research Grants and Contracts	105	112
Catering and Residences	98	99
Miscellaneous/Other	100	109
	<u>1,316</u>	<u>1,331</u>

* The increase in administration and central services includes a previously contracted out service.

Staff Costs	£'000	£'000
Wages and Salaries	47,042	46,980
Social Security Costs	3,552	3,500
Other Pension Costs	7,066	7,170
	<u>57,660</u>	<u>57,650</u>

Academic Schools	29,640	29,428
Academic Services	4,163	4,293
Administration and Central Services	8,257	7,996
Premises	3,342	3,351
Research Grants and Contracts	4,344	4,734
Catering, Residences and Commercial Operations	4,129	3,868
Miscellaneous/Other	3,785	3,980
	<u>57,660</u>	<u>57,650</u>

Number of staff who received emoluments in the following ranges

(including the Principal and Vice-Chancellor)

	Number	Number
£70,000 - £79,999	17	16
£80,000 - £89,999	16	13
£90,000 - £99,999	12	5
£100,000 - £109,999	2	2
£140,000 - £149,999	0	1
£190,000 - £199,999	1	1
Total number of high earners	<u>48*</u>	<u>38</u>

* The increase of 10 largely relates to investments in academic areas as per the PAS.

Emoluments of the Principal and Vice-Chancellor	£'000	£'000
Professor Gerry McCormac		
Salary	192	192
Benefits in kind	1	1
	<u>193</u>	<u>193</u>
Pension Contributions	<u>31</u>	<u>31</u>

NOTES TO THE ACCOUNTS – continued

	2012	2011
	£'000	£'000
Note		
7. Other Operating Expenses		
Academic Schools	6,876	7,328
Academic Services	2,384	2,526
Administration and Central Services	5,632	5,221
Premises	4,689	5,034
Research Grants and Contracts	2,096	2,062
Consultancy and Other Services Rendered	1,431	1,542
Catering	1,173	1,116
Residences	4,314	2,807
Commercial Operations	524	632
Stirling Management Centre	2,149	2,056
Aquaculture External Facilities	229	556
Sports Development Services	614	615
Miscellaneous	(1,144)	69
Early Retirement & Severance	59	648
	<u>31,026</u>	<u>32,212</u>
Other operating expenses include:		
Auditors' remuneration		
External Auditors		
- for the audit of the financial statements	39	39
- other services	40	92
Internal Auditors	67	24
	<u>146</u>	<u>155</u>

NOTES TO THE ACCOUNTS - continued

Note

8. Analysis of 2011-2012 Expenditure by Activity

	Staff Costs £'000	Depreciation £'000	Other Operating Expenses £'000	Total £'000
Academic Schools	29,640	223	6,876	36,739
Academic Services	4,163	860	2,384	7,407
Administration and Central Services	8,257	357	5,632	14,246
Premises	3,342	4,265	4,689	12,296
Research Grants and Contracts	4,344	0	2,096	6,440
Consultancy and Other Services Rendered	1,714	12	1,431	3,157
Catering	87	23	1,173	1,283
Residences	3,594	710	4,314	8,618
Commercial Operations	448	0	524	972
Stirling Management Centre	466	381	2,149	2,996
Aquaculture External Facilities	523	40	229	792
Sports Development Services	1,586	0	614	2,200
Miscellaneous	(504)	0	(1,144)	(1,648)
Early Retirement & Severance	0	0	59	59
Total per Income and Expenditure Account	<u>57,660</u>	<u>6,871</u>	<u>31,026</u>	<u>95,557</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released	2,788	(note 17)
General Income	<u>4,083</u>	
	<u>6,871</u>	

NOTES TO THE ACCOUNTS – continued

Note

9. Tangible Fixed Assets

	Land, Buildings & Assoc. Equip.		Equipment £'000	Leased Equipment £'000	Assets Under Construction £'000	Total £'000
	Freehold £'000	Leasehold £'000				
At 1 August 2011 Cost	116,110	100	15,638	129	2,179	134,156
Additions at Cost	2,213	0	1,488	0	1,918	5,619
Disposals at Cost	0	0	(203)	0	0	(203)
Transfers	1,226	0	90	0	(1,316)	0
At 31 July 2012 Cost	<u>119,549</u>	<u>100</u>	<u>17,013</u>	<u>129</u>	<u>2,781</u>	<u>139,572</u>
Depreciation						
At 1 August 2011	44,453	60	13,166	129	0	57,808
Charge for Year	5,288	1	1,582	0	0	6,871
Eliminated by Disposals	<u>0</u>	<u>0</u>	<u>(203)</u>	<u>0</u>	<u>0</u>	<u>(203)</u>
At 31 July 2012	<u>49,741</u>	<u>61</u>	<u>14,545</u>	<u>129</u>	<u>0</u>	<u>64,476</u>
Net Book Value						
At 31 July 2012	<u>69,808</u>	<u>39</u>	<u>2,468</u>	<u>0</u>	<u>2,781</u>	<u>75,096</u>
At 1 August 2011	<u>71,657</u>	<u>40</u>	<u>2,472</u>	<u>0</u>	<u>2,179</u>	<u>76,348</u>

Inherited Assets

Buildings with a net book value of £2,956,000 and historical cost of £8,767,000 have been funded from Treasury Sources. In the event of these particular buildings being sold, the University would either have to surrender proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

Assets Under Construction

The incomplete assets as at 31 July 2012 include the Residences Project, £1,730,000 which will provide high quality student accommodation, £363,000 for the new Management Information System, £347,000 for the Research Management System, and £278,000 on the University's new Website Platform.

Software

Software with a net book value of £197,000 is included within equipment.

Heritage Assets

The University has three collections of heritage assets. The collections are accounted for as follows:

Historic land

The University considers that due to the incomparable nature of the relevant land, conventional valuation approaches lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the users of the accounts. The University does not recognise this asset on its Balance Sheet.

NOTES TO THE ACCOUNTS - continued

Library collections

The University does not consider that reliable cost or valuation information can be obtained for the vast majority of items held in the library collections. This is due to the diverse nature of the assets held, the number of assets held and the lack of comparable market values. The University does not therefore recognise these assets on its Balance Sheet, other than recent acquisitions which are reported at cost when purchased, or at the Special Collections Librarian's best estimate of market value where the object is donated either in the current year or in the future.

Artefacts

As with the Library Collections, the University does not consider that reliable cost or valuation information can be obtained for the artefacts held. The University does not therefore recognise these assets on its Balance Sheet, other than recent acquisitions which are reported at cost when purchased.

	2012	2011
	£'000	£'000
Note		
10. Investments		
Listed Investments		
Balance as at 1 August	324	399
Additions	80	64
Disposals	(69)	(175)
Appreciation on Disposals/Revaluation of Investments	14	36
	<u>349</u>	<u>324</u>
Balance as at 31 July		
11. Endowment Assets		
Balance as at 1 August	1,496	1,347
New endowments invested	0	165
Increase in market value of investments	6	15
Increase / (decrease) in cash balances held for endowment funds	10	(31)
	<u>1,512</u>	<u>1,496</u>
Balance as at 31 July		
Represented by:		
Fixed interest stocks (listed)	15	15
Equities (listed)	149	142
Equities (unlisted)	25	25
Cash balances (note 24)	1,323	1,314
	<u>1,512</u>	<u>1,496</u>
Total		

NOTES TO THE ACCOUNTS – continued

Note	2012 £'000	2011 £'000
12. Debtors		
Amount falling due within one year:		
Debtors	5,309	4,292
Prepayments and accrued income	1,970	3,360
Debtors falling due after more than one year	150	150
	<u>7,429</u>	<u>7,802</u>
13. Creditors: Amounts falling due within one Year		
Bank and other loans	0	5
Creditors	12,317	8,426
Accruals and deferred income	10,392	10,173
Social security and other taxation payable	1,456	1,611
	<u>24,165</u>	<u>20,215</u>
14. Creditors: Amounts falling due after more than one Year		
Bank and other loans	1,500	0
	<u>1,500</u>	<u>0</u>
15. Loans and overdrafts		
Loans and overdrafts are repayable as follows:		
In one year or less	0	5
In five years or more	1,500	0
Total	<u>1,500</u>	<u>5</u>
<p>Note: Revolving loan facilities relating to the residences redevelopment project were agreed with Santander plc, Barclays plc and Lloyds TSB plc with a total funding of £38m made available. During 2011-12 £1.5m has been drawn down with £750k due to Barclays plc, repayable in quarterly instalments from 27 July 2017 and £750k due to Lloyds TSB plc, repayable on 27 April 2027.</p>		
16. Provisions for Liabilities and Charges		
At 1 August 2011	958	1,059
Utilised in the year	(67)	(130)
Released in the year	(157)	(27)
Transferred from I & E account	202	56
At 31 July 2012	<u>936</u>	<u>958</u>

NOTES TO THE ACCOUNTS – continued

Note

17. Deferred Capital Grants

	Funding Council £'000	Other Grants and Gifts £'000	Total £'000
At 1 August 2011			
Buildings	22,925	11,718	34,643
Equipment	402	72	474
Total	<u>23,327</u>	<u>11,790</u>	<u>35,117</u>
Cash received			
Buildings	546	(50)	496
Equipment	294	0	294
Total	<u>840</u>	<u>(50)</u>	<u>790</u>
Released to income and expenditure account			
Buildings (notes 1 and 4)	(1,537)	(694)	(2,231)
Equipment (notes 1 and 4)	(505)	(52)	(557)
Total (note 9)	<u>(2,042)</u>	<u>(746)</u>	<u>(2,788)</u>
At 31 July 2012			
Buildings	21,934	10,974	32,908
Equipment	191	20	211
Total	<u>22,125</u>	<u>10,994</u>	<u>33,119</u>

18. Endowments

	Restricted Permanent £'000	Restricted Expendable £'000	2012 Total £'000	2011 Total £'000
Balance as at 1 August				
Capital	166	921	1,087	907
Accumulated income	<u>62</u>	<u>347</u>	<u>409</u>	440
	<u>228</u>	<u>1,268</u>	<u>1,496</u>	1,347
New Endowments				
Investment Income	0	0	0	165
Expenditure	13	56	69	36
	(2)	(57)	(59)	(67)
	11	(1)	10	(31)
Increase in market value of investments	6	0	6	15
Balance as at 31 July	<u>245</u>	<u>1,267</u>	<u>1,512</u>	1,496
Representing				
Capital	172	921	1,093	1,087
Accumulated income	<u>73</u>	<u>346</u>	<u>419</u>	409
Total	<u>245</u>	<u>1,267</u>	<u>1,512</u>	1,496

NOTES TO THE ACCOUNTS – continued

Note

19. General Reserve

	2012 £'000	2011 £'000
Income and Expenditure Account		
Balance as at 1 August	34,978	21,219
Historical Cost Surplus after		
Depreciation of Assets and Tax	3,519	5,292
Actuarial gain on pension scheme liability	401	8,467
At 31 July	<u>38,898</u>	<u>34,978</u>
Represented by:		
Income and Expenditure Account		
Balance as at 1 August	41,071	36,197
Historical Cost Surplus after		
Depreciation of Assets and Tax	3,519	5,292
Transfer from Pension Reserve	<u>(1,128)</u>	<u>(418)</u>
	43,462	41,071
Pension Reserve		
Deficit in schemes at beginning of year	(6,093)	(14,978)
Movement in year:		
Current Service Cost	(2,060)	(2,023)
Contributions	2,547	2,389
Net Return on Assets	641	52
Actuarial Gain	<u>401</u>	<u>8,467</u>
Deficit in Scheme at end of year	(4,564)	(6,093)
Reconciliation		
Income and Expenditure Account	43,462	41,071
Pension Reserve	<u>(4,564)</u>	<u>(6,093)</u>
	<u>38,898</u>	<u>34,978</u>

NOTES TO THE ACCOUNTS – continued

Note

20. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities	2012	2011
	£'000	£'000
Surplus on continuing operations after depreciation of assets and before tax	3,529	5,261
Pension Costs less contributions payable (note 25)	(487)	(366)
Depreciation (note 9)	6,871	7,061
Revaluation of Investments (note 10)	(14)	(36)
Deferred Capital Grants Released to Income (note 17)	(2,788)	(2,745)
Profit on disposal of tangible fixed assets	0	22
Investment income and net endowment receivable	(908)	(191)
Increase in stocks	(123)	(168)
Decrease in debtors/prepayments	373	753
Increase/(Decrease) in creditors/accruals	5,039	(129)
Decrease in provisions	(23)	(101)
Net cash inflow from operating activities	<u>11,469</u>	<u>9,361</u>
21. Returns on Investment and Servicing of Finance		
Income from endowments (note 19)	69	36
Other interest received (note 5)	198	103
Net cash outflow from returns on investments and servicing of finance	<u>267</u>	<u>139</u>
22. Capital Expenditure and Financial Investment		
Purchase of tangible fixed assets (Other than leased equipment)	(5,619)	(4,604)
Purchase of investments (note 10)	(80)	(64)
Sale of investments (note 10)	69	175
Payments to acquire endowment assets	59	34
Sale of Tangible Fixed Assets	0	0
Receipt from sale of endowment assets	(59)	(34)
Deferred capital grants received in-year	1,205	2,328
Endowments received (note 18)	0	165
Net cash outflow in respect of capital expenditure and financial investment	<u>(4,425)</u>	<u>(2,000)</u>

NOTES TO THE ACCOUNTS – continued

Note

23. Analysis of Changes in Financing during the Year

	Loans £'000	Total £'000
Balances at 1 August 2010	10	10
Capital Repayments	<u>(5)</u>	<u>(5)</u>
Net Amount Repaid in Year	<u>(5)</u>	<u>(5)</u>
Balances at 31 July 2011	5	5
New leases/loans	1,500	1,500
Capital Repayments	<u>(5)</u>	<u>(5)</u>
Net Amount Borrowed in Year	<u>1,495</u>	<u>1,495</u>
Balances at 31 July 2012	<u>1,500</u>	<u>1,500</u>

24. Analysis of Changes in Net Funds

	At 1 August 2011 £'000	Cash flows £'000	At 31 July 2012 £'000
Cash in hand, and at bank	12,141	7,297	19,438
Endowment asset investments (note 11)	1,314	9	1,323
	<u>13,455</u>	<u>7,307</u>	<u>20,762</u>
Debt due within one year	(5)	5	0
Total	<u>13,450</u>	<u>7,312</u>	<u>20,762</u>

NOTES TO THE ACCOUNTS - continued

Note

25. Pension Schemes

Composition of Schemes

The University participates in three defined benefit contracted out pension schemes, the Universities Superannuation Scheme (USS), the University of Stirling Pension Scheme (USPS) and the University of Stirling Pension Scheme for Contract Staff (USPSCS).

The total pension costs for the University were:

	2012	2011
	£'000	£'000
USS: contributions paid	5,346	5,273
USPS/USPSCS:		
Contributions paid	2,207	2,263
FRS 17 charge	(487)	(366)
Charge to the Income and Expenditure Account (staff costs)	1,720	1,897
Total Pension Costs (Note 6)	<u>7,066</u>	<u>7,170</u>

The University also incurs cost of £134k per annum for the Falkirk Pension Scheme which has one active member in employment.

Contributions amounting to £691k (2011: £631k) were payable to the schemes and are included in creditors. USS provides benefits based on final pensionable salary for academic and related employees at UK Universities. USPS and USPSCS provide similar benefits for other staff of the University.

University of Stirling Pension Scheme (USPS) and the University of Stirling Pension Scheme for Contract Staff (USPSCS)

A full actuarial valuation of USPS was carried out as at the 1 August 2006 and updated to the 31 July 2009 by a qualified independent actuary. An actuarial valuation of USPSCS was carried out as at the 1 September 2011 by a qualified independent actuary. The employer contribution rate for USPS remains the same at 24.9%. The employer contribution rate for USPSCS reduced from 33.75% to 25.7% effective from 1 September 2012.

NOTES TO THE ACCOUNTS - continued

The principal assumptions, used by the actuary, for the USPS and USPSCS schemes were:

	At 31/07/12	At 31/07/11	At 31/07/10
Rate of increase in salaries	1.9%	4.5%	4.5%
Rate of increase for pensions in payment	-	3.5%	3.5%
Discount rate for scheme liabilities	4.5%	5.3%	5.4%
Rate of increase of deferred pensions	-	3.5%	3.5%
Inflation assumption - CPI	1.9%	3.5%	3.0%
Inflation assumption - RPI	2.7%	3.5%	3.0%

Notes :

1. Rate of increase in salaries has been assumed as 1% p.a. for the first 3 years, increasing to 1.87% thereafter.
2. As there is no longer an allowance for a discretionary increase, the rate of increase for pensions in payments and deferred pensions follows the inflation assumptions.

The current mortality assumptions are intended to include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31/07/12	At 31/07/11
<i>Retiring today/current pensioners</i>		
Males	20.80	20.70
Females	23.30	23.30
<i>Retiring in 20 years/future pensioners</i>		
Males	22.10	22.10
Females	24.50	24.50

NOTES TO THE ACCOUNTS – continued

The assets and liabilities in the USPS and USPSCS schemes and the expected rates of return were:

	Long-term rate of return expected at 31/07/12	Long-term rate of return expected at 31/07/11	Long-term rate of return expected at 31/07/10
Equities	6.3%	7.7%	8.0%
Bonds	2.5%	5.0%	4.4%
Property	6.0%	6.0%	6.0%
Other (Cash)	0.5%	0.5%	0.5%
	Value at 31/07/12 £m	Value at 31/07/11 £m	Value at 31/07/10 £m
Equities	39.7	39.2	35.0
Bonds	11.7	2.4	8.0
Other	3.1	9.8	2.6
Total market value of assets	54.5	51.4	45.6
Present value of schemes' liabilities	(59.1)	(57.5)	(60.5)
Deficit in schemes	(4.6)	(6.1)	(14.9)

NOTES TO THE ACCOUNTS - continued

	2012 £'000	2011 £'000
Analysis of Amount Charged to Operating Profit		
Current service cost	<u>2,060</u>	<u>2,023</u>
Total operating charge	<u>2,060</u>	<u>2,023</u>
Analysis of amounts credited to Other Investment Income		
Expected return on pension schemes' assets	3,685	3,330
Interest cost	<u>(3,044)</u>	<u>(3,278)</u>
Net return	<u>641</u>	<u>52</u>
Analysis of amounts recognised in STRGL		
Difference between actual return and expected return on pension scheme's assets	(1,582)	1,764
Experience gains and losses arising on the schemes' liabilities	(550)	(789)
Changes in financial assumptions underlying the schemes' liabilities	<u>2,533</u>	<u>7,492</u>
Actuarial Gain recognised in STRGL	<u>401</u>	<u>8,467</u>
Movement in Deficit Through the Year		
Deficit in Schemes at beginning of year	(6,093)	(14,978)
Current Service Cost	(2,060)	(2,023)
Contributions	2,547	2,389
Other Finance Income	641	52
Actuarial Gain	<u>401</u>	<u>8,467</u>
Deficit in Schemes at end of year	<u>(4,564)</u>	<u>(6,093)</u>
Movement in present value of schemes' liabilities		
Liability at beginning of year	57,484	60,507
Service Cost	2,060	2,023
Employee Contributions	492	518
Interest Cost	3,044	3,278
Actuarial Losses	(1,983)	(6,703)
Benefits Paid	<u>(2,006)</u>	<u>(2,139)</u>
Liability at end of year	<u>59,091</u>	<u>57,484</u>
Movement in market value of schemes' assets		
Asset at beginning of year	51,392	45,530
Expected Return	3,685	3,330
Actuarial Losses	(1,582)	1,764
Contributions by Employer	2,547	2,389
Contributions by Members	492	518
Benefits Paid	<u>(2,006)</u>	<u>(2,139)</u>
Asset at end of year	<u>54,528</u>	<u>51,392</u>

NOTES TO THE ACCOUNTS - continued

History of Experience Gains and Losses

	31/07/12	31/07/11	31/07/10	31/07/09
Difference between the expected and actual return on schemes' assets:				
Amount (£'000)	(1,582)	1,764	2,139	(2,347)
Percentage of schemes' assets	(2.9%)	3.4%	4.7%	5.9%
Experience gain/(loss) arising on the schemes' liabilities:				
Amount (£'000)	(550)	(789)	1,402	(526)
Percentage of schemes' liabilities	(1.0%)	(1.5%)	3.1%	0.9%
Total amount of actuarial gain/(loss)				
Amount (£'000)	401	8,467	507	(8,234)
Percentage of schemes' liabilities	0.7%	16.5%	1.1%	14.8%

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

NOTES TO THE ACCOUNTS - continued

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables – No age rating
Female members' mortality	PS1NA ["light"] YoB tables – Rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the on-going cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above. As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

NOTES TO THE ACCOUNTS - continued

Normal pension age

The Normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on shortfall</i>
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

NOTES TO THE ACCOUNTS - continued

USS is a “last man standing” scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund’s liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme’s technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme’s cash flow is likely to remain positive for the next ten years or more.

At 31 March 2012, USS had over 145,000 active members and the institution had 812 active members participating in the scheme.

The total pension cost for the institution was £5,347k (2011: £5,273k). The contribution rate payable by the institution was 16% of pensionable salaries.

Note

26. Capital Commitments

	2012	2011
	£'000	£'000
Commitments contracted at 31 July	13,670	2,051
Authorised but not contracted at 31 July	38,588	4,988
	<u>52,258</u>	<u>7,039</u>

The large increase in capital commitments this year relates to the residences redevelopment project.

27. Financial Commitments

Operating lease commitments for the 2011-12 financial year, on leases expiring:

Between one and five years

Union Street residential property lease	598	578
Lyon Crescent residential property lease	466	417
	<u>1,064</u>	<u>995</u>

NOTES TO THE ACCOUNTS - continued

Note

28. Access Funds

	2012	2011
	£'000	£'000
Balance at 1 August	60	22
Funding Council grants	730	669
Previous years loan repaid	4	0
Interest earned	2	2
	796	693
Disbursed to students	(795)	(633)
Balance Unspent as at 31 July	1	60

The grants and related disbursements are available solely to students, with the University acting as paying agent. These funds are therefore excluded from the Income and Expenditure Account. The University accounts to the Scottish Executive on the use of these funds to the 31 March.

29. Contingent Liabilities

The University is a member of UMA(SR) Limited, a company formed to provide a mutual association for terrorism risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their pro rata share (University of Stirling 0.2%); spread using a member's loan facility over seven years. No liability has yet arisen under this guarantee.

The University through a shareholding agreement with Stirling Council has in effect guaranteed 50% of a loan with RBS plc. to Stirling University Innovation Park Limited (SUIP Ltd). The purpose of the loan was to purchase two properties. The outstanding balance of the loan at the 31 July 2012 is circa £600k.

The University is currently subject to an appeal before the Court of Session by the University and College Union (UCU) in relation to a number of employees who left the University at the end of their fixed term contracts and under the voluntary severance scheme offered in 2009. Having taken legal advice the University is resisting this claim and accordingly does not believe it is appropriate to make any provision in these financial statements.

NOTES TO THE ACCOUNTS - continued

Note

30. Related Party Transactions

	2011-12			2010-11 Re-Stated		
	Income £'000	Expenditure £'000	Debtor £'000	Income £'000	Expenditure £'000	Debtor £'000
Stirling University Innovation Park Limited (SUIP) (Note 1)	42	472	0	45	195	39
University of Stirling Students Union (USSU) (Note 2)	63	424	19	68	450	54
	<u>105</u>	<u>896</u>	<u>19</u>	<u>113</u>	<u>645</u>	<u>93</u>

Note:

1. SUIP - Dr John Rogers and Ms Karen Plouviez, Directors
2. USSU - Mr Luke Fenton - President until 31 May 2012, Mr Samuel Gibbs - President from 1 June 2012, Mr James Moore - Vice-president

31. University Companies

The University owns 100% of the issued share capital of Stirling University Residential Accommodation Limited ("SURA"). SURA was renamed from an existing company, SURE Ltd. The principal activity of the company is to design and construct residential accommodation for the residences project.

The University owns 100% of the issued share capital of ordinary shares of Machrihanish Marine Farm Limited. The principal activity of the company was the farming of cod. The company is currently not operating.

The University owns 50% of the issued share capital of Stirling University Innovation Park Limited. The principal activity of the company is the development, promotion and management of Stirling University Innovation Park. In view of the lack of controlling interest, the company's results have not been consolidated into the University's Financial Statements.

32. Works of Art

The University displays a number of valuable works of art, not included in the Balance Sheet. The approximate value of the collection for insurance purposes is £5.7m.

COMPOSITION OF COMMITTEES CONCERNED DIRECTLY WITH FINANCE

IN THE YEAR ENDED 31 JULY 2012

Membership of Audit Committee

Professor J C Gemmell * (to 31-12-2011)

Mr S Haldane *

Mr R G Murray (Chair) *

Mr G Pomphrey *

Membership of Finance & Resources/Policy & Planning Committee (FRC/PPC) – until 31 December 2011

Professor D Bell

Mr G D C Burns *

Professor S Burt

Mr K Clarke

Professor R Edwards

Mr L Fenton

Mr A Goodacre

Mr P Grice (Chair) *

Professor G Jarvie

Professor G McCormac

Mr J Moore

Mr A G Simpson *

Mr I Simpson

Mr A Sturgess *

Professor R Sugden

Professor P Wookey

Membership of Joint Policy, Planning & Resources Committee (JPPRC) – from 1 January 2012

Professor D Bell

Professor A Bowes

Mr G D C Burns *

Professor S Burt

Professor E Burke

Mr K J Clarke (to 31-03-2012)

Professor R Edwards

Mr L Fenton (to 31-05-2012)

Professor J Gardner

Professor A Goodacre

Mr S Gibb (from 01-06-2012)

Mr P Grice (Chair) *

Mr P Holmes *

Professor G McCormac

Mr J Moore

Mr A G Simpson *

Mr A Sturgess

Professor P Wookey

* Lay member

Contacts

Campuses

Stirling (main University switchboard)

+44 (0) 1786 473171

Highland Campus (Inverness)

+44 (0) 1463 255655

Western Isles Campus (Stornoway)

+44 (0) 1851 704704

Directorate of Development & External Affairs

Alumni Relations

+44 (0) 1786 467055

Development

+44 (0) 1786 466675

International Office

+ 44 (0) 1786 466681

Marketing

+44 (0) 1786 467055

Public Relations

+44 (0) 1786 467055

Student Recruitment, Admissions & International Affairs

+44 (0) 1786 467046

Directorate of Estates & Campus Services

Commercial Operations

+44 (0) 1786 467140

Stirling Management Centre

+44 (0) 1786 451666

Conferences and Holidays

+44 (0) 1786 467140/1

Finance Office

+44 (0) 1786 467124

Gannochy Sports Centre

+44 (0) 1786 466900/466500

Human Resources Services

+44 (0) 1786 467136

macrobert arts centre

+44 (0) 1786 466666

Registry & Governance Services

+44 (0) 1786 466949

Research & Enterprise Office

+44 (0) 1786 467041

University of Stirling

Stirling FK9 4LA

Scotland UK

www.stir.ac.uk

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