

UNIVERSITY of  
STIRLING



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# 2013-2014

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## Financial Statements

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# Financial Statements

*for the year ended 31 July 2014*

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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.

## Mission and Vision Statements

The University's Strategic Plan 2011–2016, including a 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 <http://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.

## Highlights of the Year

In 2013/14 the University's achievements were recognised in many national and international forums. Highlights include:

- Stirling featured in the QS World Rankings for the first time in the University's history, reflecting progress made on the world stage. The University also improved its position in the 2014 Times Higher Education 100 Universities under the age of 50 league table with a ranking of 56, which was 8th in the UK.
- In domestic league tables, Stirling improved its position in the Complete University Guide from 49th to 45th, which is the highest position achieved in this league table since 2009.
- The Queen's Anniversary Prize for Higher and Further Education was awarded to Stirling for the ground-breaking research led by the Institute of Social Marketing regarding the effects of marketing on the health of young people, particularly in reference to tobacco, alcohol and food.
- Stirling was awarded the Athena SWAN Bronze Award in recognition of our commitment to advancing women's academic careers, particularly in science, technology, engineering, mathematics and medicine.

- In the 2013 Times Higher Education Awards the University received the accolade for Most Improved Student Experience which is based on a survey of more than 14,000 students at 111 UK institutions.
- Making the Most of Masters, an innovative partnership between the Universities of Edinburgh, Stirling and Aberdeen, won the 2013 Times Higher Education Award for Outstanding Employer Engagement Initiative of the Year.
- Stirling established an exciting new joint venture (JV) with INTO University Partnerships creating two world-class international study centres in Stirling and London. The centres will provide a range of academic and English language preparation courses for international students. Teaching began in summer 2014.

## Performance during the year

The University measures its performance against a number of key performance indicators (KPIs). Those identified in the Strategic Plan 2011-16 are:

- double current levels of research grant income within the lifetime of the plan
- raise the number of research active staff into our benchmark range of 400 – 500 FTE
- increase taught postgraduate student numbers by 30%
- increase the proportion of our graduates entering graduate level jobs to 85%
- increase income from non-public funds by 20% within the lifetime of the plan
- generate an annual financial surplus of 6%
- establish an international strategic network of partner universities
- double income from philanthropic sources year on year.

The progress against targets are reported in the annual Plan for Academic Success (PAS) using a "traffic light" grading system. Over the last academic year five of the thirteen targets were graded as green, seven as amber and one red. The red target relates to overseas taught postgraduate student numbers which are declining reflecting a challenging market in taught post-graduate recruitment. Improvements have been made to conversion activities and the JV with INTO is expected to deliver growth in student numbers from 2015/16.

## Teaching and Student Recruitment

### Research postgraduates

One of the objectives in the Strategic Plan is to increase the number and proportion of postgraduate students. Growth in the number of research postgraduates generates additional tuition fee income, increases the research profile of the University, enhances links with industry and increases research postgraduate grant from the Scottish Funding Council (SFC).

Effort has been made across the University to identify projects and establish jointly funded research studentships with industry partners. Investment in 66 'Impact Studentships' was made during 2012/13 and 2013/14. This scheme has been successful and will help to create and sustain new energy among researchers across the institution.

While steady growth was achieved in Research Postgraduate (RPG) numbers between 2009/10 and 2012/13, this has not been sustained in 2013/14. There has been a 7% decrease in total RPG numbers from 375 FTE in 2012/13 to 350 FTE in 2013/14. The drop can be explained, in-part, by the discontinuation of the SFC's Horizon Fund for strategic research development, which resulted in a lower intake of PhD students than in previous years. New intakes have since stabilised, however the University faces a significant challenge in growing research postgraduate numbers.

Another ambition is to increase the number of research postgraduates per academic member of staff to 1.3:1 by 2015/16. As a result of increased academic staff recruitment in preparation for REF 2014 and the recent dip in research student numbers, the ratio at the end of financial year 2013/14 was 0.9:1.

### *Taught postgraduates*

The Strategic Plan included a stretch-target to increase Taught Postgraduate (TPG) student numbers by 30% over the lifetime of the Plan from a baseline of 1,328 FTE in 2010/11. Good progress had initially been made against this target, and the University increased the population of taught postgraduates by 6% in the two years to 2012/13. Since then, the number of overseas TPGs experienced a sharp decline of 37% in 2013/14. The drop in overseas numbers was most pronounced in the Stirling Management School, which has traditionally generated 75% of the University's total overseas TPG students.

The market for overseas students is increasingly competitive and is subject to external factors outside the University's control, such as UK Visas and Immigration (UKVI) policy and behaviour. In 2012/13, Stirling performed well above sector averages with the total number of international taught postgraduates of all domicile increasing by 25.6% to 863 FTE (compared to a Scotland-wide decrease of 9%). Stirling's 2013/14 decline in overseas TPGs indicates the decline in the sector has affected Stirling later than elsewhere.

The decline in overseas taught post-graduates has been partially off-set by an increase of 39% in the number of Home/EU TPG students. This reflects the additional funded places and the introduction of new programmes.

A survey of UK HEI's undertaken by Universities UK on student recruitment in 2013/14 suggested a complex picture regarding overseas TPG recruitment with some institutions reporting an increase in demand<sup>1</sup>. The findings also suggested that Scotland may face greater challenges in recruiting overseas students; Scottish institutions were less likely to report success in meeting 2013/14 recruitment targets (33%) compared with English HEI's (55%).

Actions taken throughout 2013/14 to mitigate further drops in numbers of overseas students included a range of marketing and conversion activities and initiatives to enhance relationships with overseas agents.

### *Rest of UK undergraduates*

Since the Strategic Plan 2011-16 was agreed, the Scottish Government de-regulated tuition fees charged to Rest of UK (RUK) students. In 2012/13 the SFC removed the first of four annual tranches of RUK funded places for new entrants. The University aimed to maintain student numbers and income equivalent to the cuts made by the SFC. Measures were taken to maximise RUK applications and conversions including merit

scholarships. In 2013/14, the total number of new RUK entrants in 2013/14 was 273, which exceeded budget expectations

### **Research and knowledge exchange**

The University committed to achieving a substantial improvement in research performance over the lifetime of the Strategic Plan. The ambitious aims included doubling Research Grant and Contract (RGC) expenditure, and achieving quality and volume thresholds to position the University as an upper-quartile institution in the REF 2014.

In a challenging environment, the University doubled the value of new awards from £8 million in 2010/11 to £16 million in 2011/12. This was partly due to a number of large awards linked to new staff appointments. While it was not possible to maintain the value of new awards secured in 2011/12, the long-term trend has remained upward – the £11.3 million secured in 2012/13 was 40% above the 2010/11 baseline. The value of awards in 2013/14 totalled £10.7m maintaining the improved position since the introduction of the Strategic Plan. While the University anticipates further growth in expenditure as a result of awards, the target of £16m by 2016 is unlikely to be achieved.

Stirling is one of the smallest research universities in the UK. Although not necessarily a causal relationship, there is a demonstrable co-relation between the size of the research community in an institution and the ability to sustain high levels of research performance over time. The University set an ambition to increase teaching and research staff to a minimum of 400 FTE by 2015/16.

Over the past three years, the University has made strategic appointments across all schools. Furthermore, the provision was made for the recruitment of fixed-term early career fellows who would build research partnerships and enhance the research profile of the University. A total of 14 'Impact Fellows' were appointed in 2012/13 with each appointee assigned to a senior academic mentor. The popularity of the scheme led to a second tranche of appointments in 2013/14, resulting in a total of 23 Impact Fellows. As a result of previous investments, the total academic staff FTE exceeded 393 FTE during 2013/14, an increase of 26% in the past four years. This is based on academic staff with teaching and research in their contracts. Good progress has therefore been made towards the strategic target and further growth is anticipated as a result of new appointments in early 2013/14.

The University made its submission to the Research Excellence Framework (REF) in November 2013 with results expected in December 2014. REF replaces the Research Assessment Exercise (RAE) as the mechanism for assessing the quality of research. For the first time the impact of research is being assessed by REF and will contribute 20% of the score. Funding bodies intend to use the outcomes from the REF to inform grant allocation with effect from 2015-16.

During 2013/14, the University sought to enhance collaborations with other universities, businesses and the public sector through its extensive research and development activity. Stirling has a long-established partnership with the Scottish and global aquaculture industry. In 2013/14 Stirling led a successful consortium bid to establish the Scottish Aquaculture Innovation Centre. The University is also involved with the Digital Health and Care Innovation Centre and the Data Science Innovation Centre. These initiatives have a positive impact on Stirling and the wider Scottish economy and will further enhance the University's global reputation in supporting business growth and public sector innovation.

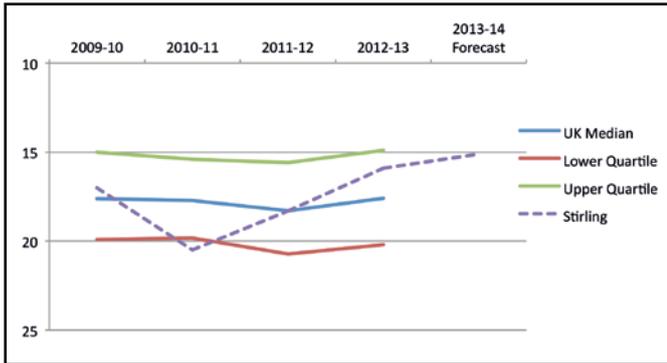
<sup>1</sup> UUK, Trends in International Student Recruitment, April 2014. This provides an analysis of responses to UUK's recent survey on international (non-EU) student recruitment in 2013-14, and early indications of anticipated demand for 2014-15. The survey is based on the responses of 104 institutions.

### Student experience and employability

The University aims to provide a high-quality learning environment for its students with support from staff across academic schools and service areas. The ratio of academic staff to students is used as a proxy measure for the student learning experience. Improvements in the student /staff ratio (SSR) are reflected as a lower ratio of students to staff. This provides benefits to students in the form of increased opportunities to engage with academic staff.

At Stirling, the SSR improved from 20.5:1 in 2010/11 to 18.3:1 in 2011/12 and 15.7:1 in 2012/13 as shown below:

HESA Student / Staff Ratio

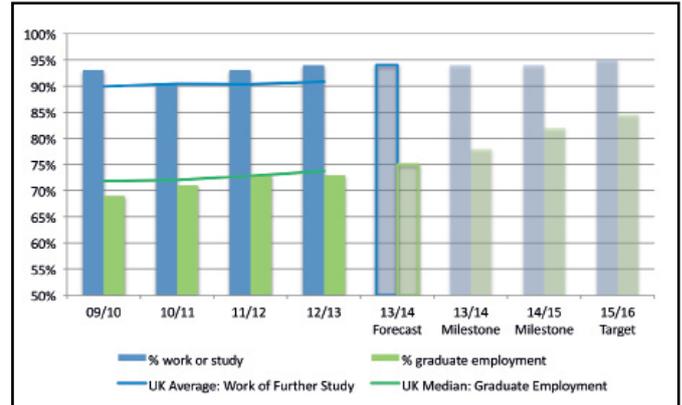


Improvement in SSR was due to investment in new academic staff and a reduction of 'fees-only' undergraduate student numbers. The SSR at Stirling was equal to the UK average in 2011/12 and was almost in the top-quartile of UK institutions in 2012/13. Indicative figures for 2013/14 suggest the SSR will improve again in 2013/14.

During 2013/14 a number of measures were developed and approved to transform the student experience. The initiatives will result in a range of improvements for students including personal tutoring, changes to progression and semester dates. Changes will start to come into effect in 2014/15 and progress will be monitored by the Education and Student Experience Committee (ESEC).

The Strategic Plan ambition is to increase the proportion of graduates entering graduate-level employment and improve the percentage of first-degree undergraduates entering work or further study. Both of these metrics are measured six-months after graduation using the Destination of Leavers from Higher Education (DLHE) survey. The most recent results show that the proportion of all graduates in employment entering professional or managerial jobs increased from 73% to 75% for students who graduated in 2013. At undergraduate level, the percentage of full-time students who went into employment or further training remained at 94%.

### Graduate destinations



The aim of the University's Employability Strategy launched in 2012/13 was to develop employable and confident graduates with the requisite skills, knowledge and experience to contribute and succeed in an ever-changing environment locally, nationally and globally. The University has excellent links with a wide range of employers. Increased focus has been placed on developing partnership modules and dissertation placement opportunities that provide students with work-based learning opportunities at both undergraduate and postgraduate level. Stirling's participation in The Making the Most of Masters initiative led by University of Edinburgh and in partnership with Aberdeen, has proved especially successful in offering placements in lieu of a traditional dissertation.

### Marketing and internationalisation

Significant investment was made to support improved marketing, market research and fundraising as part of the Plan for Academic Success (PAS) 2012/13. Two posts were approved to help meet Strategic Plan objectives to offer programmes that are market-relevant and four posts were approved to strengthen alumni relations and fundraising to work towards a target of doubling income from philanthropic sources year-on-year. The new appointments were made in partnership with academic schools as part of a holistic approach to assist schools in achieving target student numbers. Improvements to online application facilities and more focused conversion activities were also introduced.

### Philanthropic Income

The University has an ambitious stretch target to double philanthropic income year on year. In 2013/14 the University received donations totalling over £1million, an increase of 78% over the previous year (2012/13: £569k). This included a total of 382 gifts from alumni (2012/13: 338) and a number of gifts from trusts, foundations and non-alumni individuals towards a broad range of projects including funds for scholarships, internships and mobility grants, dementia and the Art Collection. A new legacy programme was launched in 2013 and 72 individuals have confirmed an intention to leave a gift to the University in their will.

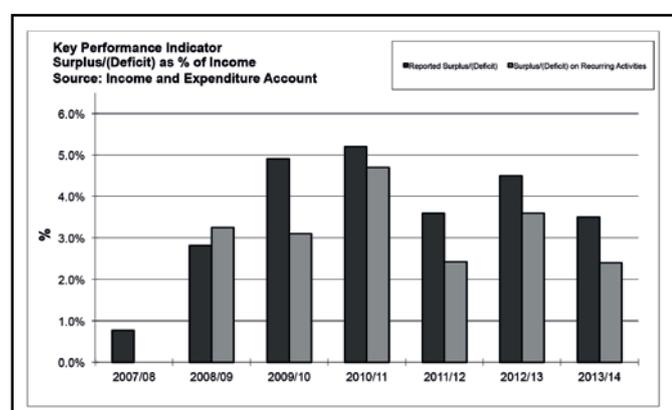
## Financial Review

The summarised income and expenditure account for the year ended 31 July 2014, together with comparative figures for 2012-13 are shown as follows:

### INCOME & EXPENDITURE ACCOUNT

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Income	<b>106,548</b>	104,646
Expenditure	<b>(103,957)</b>	(100,862)
Surplus on operating activities (excludes endowments)	<b>2,591</b>	3,784
As % of Income	<b>2.4%</b>	3.6%
Add:		
Impact of FRS 17 (pensions) disclosure	<b>1,487</b>	930
Share of joint venture's operating losses	<b>(357)</b>	0
Surplus for the year retained within general reserves	<b>3,721</b>	4,714
As % of Income	<b>3.5%</b>	4.5%

The University has generated a surplus of £3,721 (3.5% of income) in 2013-14 as illustrated in the chart below:



### Income

Total income on operating activities increased by £1.9 million (1.8%) as a result of increases from various sources. Grants from the Scottish Funding Council (SFC) increased by £1.5 million (3.8%) which includes both the General Teaching Grant increasing by £0.6m (2.1%), and General Research Grant increasing by £0.7m (10.7%). Tuition fee income decreased by £1.3 million (4.4%) year-on-year which was mainly due to reduced overseas Taught Postgraduate students recruited in a competitive environment. This reduced tuition fee income has been off-set by income from other sources which increased by £1.5m (5.7%). This increase was achieved in various areas including trading activities with increased income earned as a result of Stirling hosting the Team Scotland camp for the 2014 Commonwealth Games. Research Grants and Contract income increased by £0.5 million (4.7%).

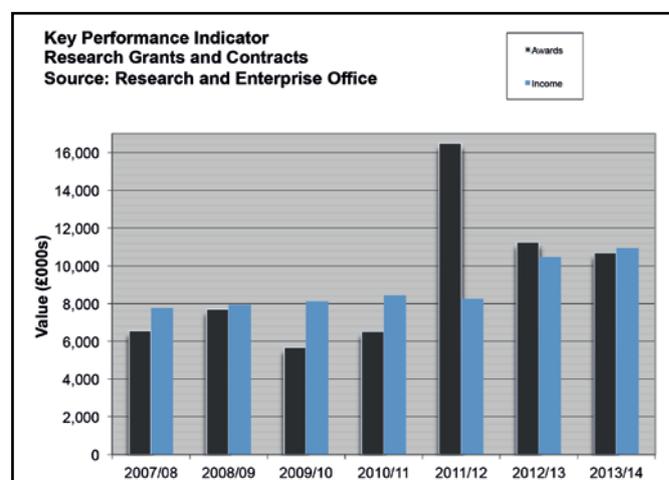
### Expenditure

Total expenditure on operating activities increased by £3.0m (3.1%). £2.0m of this increase related to staff costs which was largely a result of investment required in academic schools as identified through the PAS, including fellowships and recruitment to vacant posts. Other operating expenses increased by £0.6m (1.8%) which although in totality is not significant it includes increased pension costs towards the USPS deficit of £0.8m, a provision for the USPSCS pension scheme of £0.4m and costs of £0.4m associated with the residences restructure. These increased costs were partially off-set by planned management action taken to control operating costs in light of the reduced tuition fee income earned. The depreciation charge for the year increased by £0.4m (6%) reflecting the continuing capital works programme which includes the Residences Redevelopment project.

### Research Grants and Contracts

Research Grants and Contract income increased by £0.5 million (4.7%) in 2013/14 in comparison with 2012/13. The overall contribution from research grants and contracts was £3.6 million, with £1.9 million coming from overheads and £1.7m from staff recharges

Research grant and contracts to the value of £10.7m were secured during 2013/14, which included £1.6m of contracts under negotiation. This is a decrease in comparison to the previous year despite a slight increase (5%) in the volume of applications made. Note in the chart below, year 2011/12 was an exceptional year:



### Balance Sheet and Cash Flow

The University balance sheet strengthened markedly this year, with total fixed assets in excess of £95 million. Capital works of £18.7 million were financed from a combination of reserves, external grants and bank loans. A large proportion of this work related to the residences redevelopment project.

The overall cash position within the institution improved by £1.4 million year-on-year. The net cash inflow from operating activities was £6.4m, as shown in note 22. This was achieved by a combination of factors including the surplus of £3.7m generated on operating activities, along with the positive impact of £6.5m depreciation charges and movements in debtors and creditors, offset by the associated £2.1m deferred capital grants released.

Overall the net current asset figure has increased to £10.8m in 2013-14 compared to £8.2m in 2012-13. Net assets of the University, excluding pension's liability, increased by £3.0 million during the year.

The pension liability increased from £1.1 million in 2012-13 to £2m in 2013-14. This was largely due to actuarial losses on valuation of the scheme.

### External developments and principal risks and uncertainties

External developments which will impact on the University's strategic and financial planning include:

#### Government funding

The University's main grant allocation was announced in May 2014 and included a number of changes that will affect funding from 2014/15. Overall, teaching grants are up by 3.3% to £30,260k and the total value of all grants is up by 8.8% to £41,882k. The increases are largely attributed to adjustments in student places and the award relating to the Scottish Aquaculture Innovation Centre.

#### Outcome agreements and incentive schemes

The University put in place an outcome agreement with the SFC as a condition of grant for 2014/15. The outcome agreement reflected the University's Strategic Plan ambitions that relate to publically funded activities. The agreement also contained a set of commitments relating to SFC national measures including widening access, employability, research excellence and sustainability.

The SFC allocated 3,257 additional Scots/EU places at undergraduate level for 2014/15 across Scotland. A total of 1,117 new places were associated with the continuation of initiatives introduced in 2012/13. The remaining 2,140 places have been allocated as a result of incentive schemes announced in late 2012; widening access, articulation and skills development at undergraduate and postgraduate level.

- **Widening access**

In 2014/15 the University was allocated places for an additional 148 entrants across the non-controlled subjects for Scottish students domiciled in the lowest two quintiles of the Scottish Index of Multiple Deprivation (SIMD). This is an increase of 23 places secured for entrants in 2013/14 and is worth a further £760k of grant income in 2014/15.

- **Articulation**

In partnership with Forth Valley College, the University was allocated 55 funded places across two new undergraduate degree programmes which started in 2013/14. The students will be registered at both institutions but will spend the majority of their time in years one and two at the College campuses in Falkirk and Stirling. The University expects a second allocation of funded places to support a further two joint undergraduate programmes in Digital Media and Computing Science, which will start from 2014/15. Over time this will create a total of 508 FTE across four programmes.

- **Undergraduate skills**

The SFC continued to allocate the additional teaching places in Science, Technology, Engineering and Mathematics (STEM) that were first announced in December 2011. Stirling was not allocated any of the initial 300 places in 2012/13 or subsequently.

- **Postgraduate skills**

The University was successful in securing 42 fully funded taught postgraduate studentships in 2013/14 on programmes selected by the SFC that aligned most closely with the Scottish Government's economic priorities. Stirling has maintained its allocation of 42 places in 2014/15.

- **Global research excellence initiative**

The SFC and Scottish Government introduced a new global excellence in research initiative, through which £14 million will be allocated for years 2013/14 and 2014/15. Distribution of the grant is based on relative proportions of 4\* research and equated to additional funding of £393k per year for Stirling in 2013/14 and 2014/15.

- **Removal of funding for RUK entrants**

Due to the deregulation of fees charged to students domiciled in the rest of the UK from 2012/13, the SFC no longer funds new RUK entrants to Scottish universities, but will fund 'continuing' RUK students who started their course prior to 2012/13. The SFC has withdrawn 174.7 places for new RUK entrants at Stirling in 2014/15, which is a reduction of £911k in the main teaching grant and associated tuition fees.

- **Innovation Centres**

In April 2013, the SFC announced that it would invest in up to six innovation centres. Stirling, as part of a consortium has been awarded funds for the Scottish Aquaculture Innovation Centre and the University has a small stake in a further two centres, being Digital Health and Dementia. SFC has set aside £2 million to support TPG places associated with the Innovation Centres, and Stirling expects to receive an allocation of these places.

- **Knowledge Transfer Funding**

Following a consultation in 2013, a Knowledge Transfer Grant has been introduced in addition to the existing Knowledge Exchange Grant. This allocation is composed of a non-metrics based baseline allocation of £70k per institution plus a revised metrics based allocation, resulting in total funding of £392k in 2014/15. This does not represent 'new money' and equates to funds previously distributed as strategic funds.

- **Post-16 Education (Scotland) Bill**

The Post-16 Education (Scotland) Bill received Royal Assent on 7 August 2013. Universities Scotland had lobbied for amendments to the Bill, particularly regarding the powers of ministers/SFC in relation to governance and patterns of provision. Assurance has continued to be sought that the autonomy of HEIs will be protected.

- **Scottish Code of good higher education governance**

The Code is designed to fulfil the policy intentions of the Post-16 Education Bill and universities began adopting the new Code in August 2013.

- **Single Knowledge Exchange Office**

Proposals for a Single Knowledge Exchange Office, to be called Innovation Scotland, were approved in 2013 and implementation is underway. There are three main components to the initiative: a National Policy Forum will advise on support for innovation; National structures which support innovation will be brought into a single co-ordinated approach under the remit of Interface; and Interface will continue in its current role as a central point of access to expertise in Scottish HEIs.

- **Spending review 2015/16 and capital funding**

The UK Government announced a 4.4% cut in cash terms for the Department for Business, Innovation and Skills for 2014/15 and 2015/16. The ring-fence protecting science funding was retained at £4.6 billion. Capital expenditure has been increased from £0.6 billion in 2012/13 to £1.1 billion in 2015/16. In Scotland, the SFC budget will rise by 1.8% in 2014/15 to £1,061k and a small uplift in 2015/16. The SFC HE Capital Budget will rise to £34.8m in 2014/15 with an additional £5m allocated to support research and development capacity. However in 2015/16, capital funds will decrease by more than 50% to £16m.

- **Undergraduate fees policy in England**

It was announced that in England the cap on student numbers would be abolished by 2015/16, funded by the sale of the student loan book and that in 2014/15 there would be an additional 30,000 student places. This presents possible challenges for the Scottish sector regarding recruitment of RUK students, diverging participation rates, and an associated impact on Scotland's competitive position.

- **Open Access**

The UK Government and funding councils have continued the policy of promoting open access and endorsing the gold route (author-pays publishing). Open access will be a requirement of the post-2014 REF; to be eligible for submission, outputs must have been deposited in a repository (green route) within a specified time period and credit will be available in the research environment component of the REF.

- **Immigration Bill**

The Immigration Bill published on 10 October 2013 proceeded to the House of Lords during 2013/14. The Bill proposed to remove appeal rights for students and staff applying for further leave to remain, introduce a surcharge for NHS access and require private landlords to check immigration status of their tenants. Amendments continue to be considered particularly landlord requirements.

- **Quality Assurance at London Campuses**

There has been increased focus on the quality of provision at London campuses. In June 2014, the Quality Assurance Agency embarked upon an independent inquiry into the quality and standards of UK higher education delivered through London branch campuses. The review is a result of a rise in the number of London campuses. It also follows investigations by UK Visa and Immigration (UKVI) into English language qualifications for international students which resulted in three universities and 57 private colleges being notified by UKVI that they cannot sponsor new international students.

Rapid developments in the external environment mean that the University of Stirling must respond swiftly to external challenges while continuing to progress its own mission and objectives. In this context, work will commence in 2014/15 to develop a new Strategic Plan beyond 2015/16. This will be a consultative process involving all schools and service areas and will identify a set of strategic priorities for the next five years.

A new Internationalisation Strategy provides the framework to strengthen the University's established reputation for providing world-leading research. It also identifies how the University will develop knowledgeable, skilled graduates through a wide range of transnational research and educational activities and mutually beneficial collaborations. Establishing and strengthening

international partnerships will be a major area of focus in 2014/15 and beyond.

## Investments and priorities for 2014-15

The key priorities and new or continued investments identified in the 2014-15 Plan for Academic Success (PAS) are:

- Investment in academic staffing is a continued priority for the PAS 2014-15 as the University seeks to achieve its strategic target of 400 FTE academic staff by 2015-16. Investment in 9.2 new academic research and teaching appointments will be made plus continued investment in 22 posts against existing budget commitments.
- In response to the decline in overseas postgraduate numbers experienced in 2013/14, the University will invest in a set of initiatives led by the Stirling Management School to support the development of academic programmes and the improvement in overseas applications and conversions. This will include MBA scholarships that will help the University to achieve accreditation and will lead to longer-term growth. The University will also support a continuation of the Making the Most of Masters initiative with the universities of Edinburgh and Aberdeen. This will enable more students to benefit from work-based learning and will enhance the University's ability to market taught postgraduate opportunities at Stirling.
- As noted earlier, the University has entered a Joint Venture (JV) with INTO University Partnerships. A business plan was approved by University Court that will lead to growth in overseas student numbers at undergraduate and postgraduate level. The up-front investment required to support and operate the JV has been incorporated into the budget for 2014/15 and indicative budgets for 2015/16 and 2016/17.
- In recent years the University has invested in a number of core projects that will be base-lined to maintain existing capacity and core business. This includes a small web-team who developed and enhanced its web presence and a project officer support that has led to growth in core SFC funded places. The Business Information (BI) project was supported as a capital project and the University is considering how this activity can be mainstreamed beyond 2014. Within academic areas, commitments that were made to individuals funded externally have been incorporated into the Budget for 2014/15.
- Within service areas, the University has placed a renewed focus on income generation from commercial activities and enterprise. Further growth is expected in 2014/15, particularly in relation to catering operations, the Stirling Court Hotel and the commercial letting of residential accommodation. The Research and Enterprise Office (REO) is working with academic schools to enhance the portfolio of EU grants under the Horizon 2020 Framework Programme. Budgetary provision has therefore been made to support growth in these areas with the expectation that any new cost would be offset through income generation.
- The University will develop a new Research Strategy during 2014 that will guide the ongoing development of the University's research portfolio through to 2019/20. There are a number of strategic developments and behavioural changes that the strategy will seek to address. This will include measures to incentivise a step-change in research performance that will build on the momentum achieved in the previous two years. The Research Strategy will be presented to University Court for approval in autumn 2014.

Budget provision will be made to help meet the cost of article processing charges. These charges will need to be met by the University following the national commitment to make research outputs available free of charge.

- It was recognised as part of the planning and budgeting process that some areas of equipment and facility spend were not eligible for consideration as capital investments. Budget provision to support academic and sporting facilities has therefore been made covering investments in e-books and the maintenance of sports facilities. This investment will be made to enhance the student experience, protect the University's reputation for high-quality facilities and will increase the number of e-books available to staff and students.
- Resource has been allocated to staff development with a particular focus on equality and diversity. Provision has been put in place to implement the Athena SWAN action plan in 2014/15 including an extension to the internally developed female development programme and sector-wide Aurora scheme. Investment within the Human Resources and Organisation Development (HR & OD) directorate will enhance capacity for staff development, including the support for academic staff development, and will ensure the University is compliant with new requirements such as auto-enrolment for pensions.

#### *Other priorities for the Plan for Academic Success (PAS) 2014/15*

In addition to the new investments outlined above, the University will take forward other actions as part of the PAS 2014/15 to protect existing activities and to meet challenges being faced by the sector:

#### • **Development of e-learning**

The opportunities and risks associated with e-learning were discussed as part of the planning and budgeting process. In some cases the barrier to further development was linked to system constraints or skills availability and capacity among both support staff and academic staff. It was therefore agreed that the University required a strategic approach to the development of e-learning and a short-life working group has been tasked with taking this forward.

#### • **Learning and Teaching Quality Enhancement Strategy (LTQES)**

The University developed and updated its LTQES to reflect new priorities for learning and teaching and introduced changes to transform the student experience. The University will participate in its third Enhancement Lead Institutional Review (ELIR), which will be conducted by the QAA during autumn 2015.

#### • **Consolidating and growing the Home/EU TPG population**

The University introduced a set of merit studentships in 2012/13 to consolidate and grow Home/EU taught postgraduate student numbers and to mitigate the impact of changes in funding policy for postgraduate study. The scholarships have been successful and the University will retain the scheme for new entrants in 2014/15. Furthermore, the University will offer 42 fully funded places supported by the SFC.

#### • **Maximising recruitment of RUK undergraduates**

Budget provision was made in 2012/13 and 2013/14 for merit scholarships that would support recruitment of RUK undergraduates across all Schools. The scheme will be continued in 2014/15 to include all students with A-Level grades of ABB or better. Enhanced conversion activities for 2014/15 are well underway and the University expects to maintain the number of new RUK entrants.

#### **Capital Investments for 2014/15**

Ongoing investment in the University's infrastructure is needed to achieve our strategic ambitions of enhancing the student experience, improving research performance and being a vibrant and connected community. The University's Capital Plan is reviewed annually by the Capital Evaluation Group (CEG), which monitors progress against existing projects, evaluates new proposals and makes recommendations to the Policy Review Group (PRG). All bids for capital funding are assessed against Strategic Plan priorities, but also cover the mitigation of risk (financial, business and operational).

New Capital Investments being considered in the Capital Plan include:

- The Strategic Plan set ambitious targets to increase research grant and contract income. In order to secure large external grants, the University is often required to have in place or provide match-funding for large items of equipment. Provision has therefore been made in the Capital Plan for match-funding that will enhance the attractiveness of Stirling as a destination for research. Items of equipment that have been proposed include a Seahorse Extracellular Flux Analyser (for high-volume analyses of blood-borne hormones), a Liquid Chromatography Mass Spectrometer and Mossbauer Spectroscopy equipment (to develop characterisation techniques of reactive iron nanoparticles). In each case, the release of funds will be dependent on some element of matched funding being achieved.
- The University is involved in the Scottish Informatics and Computer Science Alliance (SICSA), which is hosting the innovation centre for 'big data'. Opportunities exist across several schools to enhance research and teaching relating to big data and to attract large external grants. The University will therefore make provision for scalable computing nodes to support growth in big data that will assist with data-heavy computation within the Schools of Natural Sciences, Sport, Applied Social Sciences and Education.
- The student experience is influenced by the quality of facilities and the infrastructure to support learning and teaching. Provision will be made in 2014/15 to implement a system that enables hardcopy and online evaluation by students of modules and their teachers. This will improve student feedback and management reporting mechanisms. Related developments that form part of the student engagement project will also be taken forward in 2014/15 including systems development to support the roll-out of a Higher Education Achievement Record (HEAR) for each student.
- A number of capital investment proposals were submitted pertaining to essential infrastructure to support ongoing research and teaching activity and commercial operations. Provision will therefore be made in the Capital Plan to support a small number of systems and software developments, telephony upgrades, management

information systems. Further work is being undertaken to refine these projects and to phase the implementation.

- The University is committed to ongoing investment in its sporting infrastructure and is exploring the opportunities for external funding for items of equipment and major infrastructure. In 2014/15, provision will be made to replace the timing and scoring systems in the swimming pool which were originally installed in 2000 and now require replacement.

### **Risk Management**

Business Continuity Management (BCM) enables the University to proactively assess the operational risks that could disrupt its key business activities and complements other risk management activities. The implementation and management of BCM sits with the internal Operational Risk & Environmental Sustainability (OR&ES) team. The team provide support and guidance on BCM matters to academic schools and service areas, whilst retaining an overview of the University's overall state of preparedness and ensuring that evolving risks are identified and addressed. The Audit Committee receives an annual progress report on BCM so that it can monitor progress.

The University has a duty to ensure that it complies with the health and safety and environmental legislation relevant to its activities. OR&ES oversees the University's compliance in these areas and prepares an annual report on safety performance which is considered by the University's Safety, Health and Environment Committee (SHE), Joint Policy Planning and Resources Committee (JPPRC) and, thereafter, Court. SHE oversees health and safety matters and fulfils the legislative requirement for consultation

### **Staff Involvement**

The University recognises the importance of involving its employees and of good internal communication. Staff are informed of key issues and other relevant matters through regular meetings, the University portal, open forums such as the annual Staff Assembly, weekly e-bulletins and the quarterly staff e-zine. 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.

### **Commitment to Quality**

The University's strategy for learning, teaching, quality assurance and enhancement ensures 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. In November 2013, Stirling was awarded the Athena SWAN bronze award, the national charter for women in science, which recognises and promotes good practice in advancing women's careers in STEM (Science, Technology, Engineering, Mathematics and Medicine).

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 comply with new legislation, the University updated its equality and diversity policy in October 2011 and published a set of equality outcomes in April 2013. The University has an established equality and diversity training module for staff, all new staff must complete the module as part of their induction. As part of the University's commitment to developing women's careers in academia, a comprehensive Athena SWAN action plan has been developed; its implementation is overseen by the Equality Steering Group and the Athena SWAN Self-Assessment Panel.

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

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 the agreed terms of payment 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 2014 was 33 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	Barclays Bank PLC 83 Argyle Street Glasgow G2 8BJ
Solicitors	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY



A. Sturgess  
Chair, Joint Policy Planning and Resources Committee

# CORPORATE GOVERNANCE STATEMENT

## 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. This section outlines the University's corporate governance arrangements. A list of the members of the University Court and Committees during the year ended 31 July 2014 can be found on page XV.

The University is committed to exhibiting best practice in all aspects of corporate governance. The new *Scottish Code of Good Higher Education Governance* was published in July 2013. The University has taken steps to ensure full compliance with all aspects of the code.

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 and is in accordance with the Scottish Code of Good HE Governance guidance.

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 Court meets formally four times per year.

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 ([www.calendar.stir.ac.uk/](http://www.calendar.stir.ac.uk/)). This is partly facilitated by the Joint Policy, Planning and Resources Committee (JPPRC), a joint Committee of University Court and Academic Council which monitors and advises the University Court on policy, strategy and resource issues relating to the University infrastructure (physical, technological and human); JPPRC scrutinises new or revised University policies and recommends their approval to University Court and/or Academic Council;

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.

Inductions are held for new members of Court as required which provides members with an outline of their governance responsibilities and highlights some of the key issue of interest to Court members, particularly in relation to the external environment. Meetings of Court are preceded by visits to different academic and service areas of the University to help their understanding of the operations of the University. Training is supplemented by members attending programmes offered by the Leadership Foundation for Higher Education for governor development as and when required.

Court has a Statement of Primary Responsibilities which lays out its responsibilities in relation to mission, vision and strategy; students and staff; financial systems and control environment; corporate governance, and senior management. A copy of the Statement can be viewed on the University website at: <http://www.strategicplanning.stir.ac.uk/court-committees/index.php/Primaryresponsibilities2012.pdf>

### Principal Committees

The University keeps its committee structures under review with the last full review taking place in 2012/13. That review made 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. However, changes can also occur between major reviews and during the year the composition of the Research Committee and Remunerations Committee were amended to meet current requirement and the remit of the Court Appointments Committee amended. All sub-committees report at least on an annual basis to Court or Academic Council.

The Joint Policy, Planning & Resources Committee (JPPRC) considers 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 Court Appointments Committee seeks and considers recommendations for potential lay members of Court and it oversees Court appointments to other committees. This Committee has a key role in ensuring diversity amongst Court members and on other committees and during the year gave particular consideration to how this might be improved during the next round of recruitment of lay members. During the coming year the Committee will be leading the process to appoint a new Chair of Court following the retirement of the current Chair in July 2015.

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 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. New internal Auditors have been appointed from August 2014.

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. In December 2013 Court approved a Risk Appetite Statement, which will be reviewed on a regular basis.

The Register of Strategic Risk is 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 Risk Register is considered at each meeting of the Senior Management Team (SMT) and is maintained by the Policy & Planning team, Risk identification, assessment and the consideration of control measures are fully integrated into the University planning process to ensure effective management of strategic and operational risk.

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 (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 SFC, and any other conditions which SFC may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;

- safeguard the assets of the University and 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 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 2013/14

	C=Court A=Audit J=JPPRC	Membership dates	Attendance 2013/14		
			Court 4 in year	Audit 3 in year	JPPRC 3 in year
*Mr Alan G Simpson	C, J		4c		3
*Mr Harry Adam	C, J		4		3
*Mr Simon Anderson	C		2		
*Mr Kevin Condron	C		3		
*Mr Scott Haldane	C, A		2	2	
<b>*Dr Richard Holloway</b>	<b>C</b>	<b>To 24/09/2013</b>	<b>0 (of 1)</b>		
*Mr Peter Holmes	C, J		3		2
*Mr Sean Lewis	C		2		
*Ms Lynne Marr	C		3		
*Ms Barbara McKissack	C, J		3		2
*Mr Richard G Murray	C, A		2	3c	
*Mr Gordon Pomphrey	C, A		2	3	
*Councillor Mike Robbins	C		2		
*Mr Andrew Sturgess	C, J		4		3c
<b>Ms Amy McDermott</b>	<b>C, J</b>	<b>From 01/06/2014</b>	<b>1 (of 1)</b>		<b>0 (of 0)</b>
Ms Lauren Mariott	C, J	From 01/06/2014	1 (of 1)		0 (of 0)
<b>Mr Johannes Butscher</b>	<b>C, J</b>	<b>To 31/05/2014</b>	<b>3 (of 3)</b>		<b>3</b>
<b>Ms Lucy Harvey</b>	<b>C, J</b>	<b>To 31/05/2014</b>	<b>3 (of 3)</b>		<b>3</b>
Professor Brian Austin	C		4		
Professor Neil Blain	J				2
Professor Alison Bowes	J				3
Professor Edmund Burke	J				2
Professor Steve Burt	C, J		4		3
Professor Brigid Daniel	C		4		
Mr James Dick	C		4		
Dr Jozsef Farkas	C		4		
Professor Tara Fenwick	C		3		
Professor John Gardner	J				2
Professor Gerry McCormac	C, J		4		3
Ms Alison Green	C		2		
<b>Mr Stephen Morrow</b>	<b>J</b>	<b>From 01/01/2014</b>			<b>2 (of 2)</b>
<b>Professor Richard Oram</b>	<b>J</b>	<b>From 01/01/2014</b>			<b>2 (of 2)</b>
Professor Leigh Robinson	C		3		
Ms Eileen Schofield	J				3
Professor Leigh Sparks	J				3

\* Lay members

JPPRC = Joint Policy Planning &amp; Resources Committee

c = Chair of Committee

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

We have audited the Group and University financial statements of the University of Stirling for the year ended 31 July 2014 set out on pages 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 accordance with 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 (as amended). 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 Accounting Responsibilities of the University Court set out on page XIV, the University Court of the University of Stirling is 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 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 Group's and 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 and Corporate Governance Statement 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 Group's and University's affairs as at 31 July 2014 and of the Group's 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 matter 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.



## Hugh Harvie 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  
Edinburgh  
EH1 2EG

17 December 2014

# 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 continue to be prepared on a going concern basis as Court considers that the University has adequate resources to continue in operational existence for the foreseeable future.

## Basis of Consolidation

The consolidated financial statements bring together the financial statements of the University and its subsidiary undertakings in accordance with the provisions of FRS 2 Accounting for Subsidiary Undertakings and FRS 9 Associates and Joint Ventures. Intra-group transactions are eliminated on consolidation.

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.

The University's subsidiary companies are not exempt from taxation. The charge for taxation is based on the taxable profit or loss for the year after the cost of any Gift Aid payment payable to the University.

## 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 on-going 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. The University of Stirling Pension Scheme was closed to new members and to future benefit accrual as at 31 July 2013. Active members at that date have retained a final salary link. They along with prospective members will be offered on an individual basis membership of USS from 1 August 2013 under the USS defined benefit Career Revalued Benefits section. 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.

# CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>INCOME</b>			
Funding Council Grants	1	<b>39,742</b>	38,280
Tuition Fees and Education Contracts	2	<b>28,616</b>	29,941
Research Grants and Contracts	3	<b>10,952</b>	10,459
Other Income	4	<b>27,132</b>	25,650
Endowment and Investment Income	5	<b>1,302</b>	648
<b>Total Income - group and share of joint venture</b>		<b><u>107,744</u></b>	<u>104,978</u>
Less: share of joint venture's income	18	<b>(174)</b>	0
<b>Total Group income</b>		<b><u>107,570</u></b>	<u>104,978</u>
<b>EXPENDITURE</b>			
Staff Costs	6	<b>62,508</b>	60,338
Other Operating Expenses	7	<b>34,391</b>	33,786
Depreciation	9	<b>6,461</b>	6,096
Interest Payable	8	<b>391</b>	110
<b>Total Expenditure</b>	9	<b><u>103,751</u></b>	<u>100,330</u>
<b>Surplus on continuing operations after Depreciation of Fixed Assets and before Tax</b>		<b>3,819</b>	4,648
Share of operating losses in joint venture	18	<b>(357)</b>	0
Taxation		<b>0</b>	0
<b>Surplus on continuing operations after Depreciation of Fixed Assets and losses in joint venture and after Tax</b>		<b>3,462</b>	4,648
Transfer to / (from) accumulated income within endowment funds	20	<b>259</b>	66
<b>Surplus for the year retained within General Reserves</b>	21	<b><u>3,721</u></b>	<u>4,714</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.  
 There is no difference between the Group and University surplus.

## BALANCE SHEETS

as at 31 July 2014

	Note	Consolidated		University	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Fixed Assets</b>					
Tangible Assets	10	95,151	82,901	95,151	82,901
Investments	11	404	385	404	385
Investment assets - joint venture					
Share of gross assets	18	613	0	0	0
Share of gross liabilities	18	(970)	0	0	0
		<u>95,198</u>	<u>83,286</u>	<u>95,555</u>	<u>83,286</u>
<b>Endowment Assets</b>	12	<u>1,834</u>	<u>1,682</u>	<u>1,834</u>	<u>1,682</u>
<b>Current Assets</b>					
Stocks		763	816	763	816
Debtors	13	11,027	8,866	11,149	9,157
Cash at Bank and in Hand		26,810	25,305	26,668	25,268
		<u>38,600</u>	<u>34,987</u>	<u>38,580</u>	<u>35,242</u>
Creditors: Amounts falling due within one year	14	<u>(27,840)</u>	<u>(26,760)</u>	<u>(27,827)</u>	<u>(27,014)</u>
<b>Net Current Assets</b>		<u>10,760</u>	<u>8,227</u>	<u>10,753</u>	<u>8,227</u>
<b>Total Assets less Current Liabilities</b>		<b>107,792</b>	93,195	<b>108,142</b>	93,195
<b>Creditors: Amounts falling due after more than one year</b>	15	<b>(23,622)</b>	(12,315)	<b>(23,622)</b>	(12,315)
<b>Provisions for Liabilities and Charges</b>	17	<b>(1,278)</b>	(591)	<b>(1,278)</b>	(591)
<b>Net Assets excluding Pensions</b>		<b>82,892</b>	80,289	<b>83,242</b>	80,289
<b>Net Pensions Liability</b>	27	<b>(2,026)</b>	(1,091)	<b>(2,026)</b>	(1,091)
<b>Net Assets including Pensions</b>		<b>80,866</b>	79,198	<b>81,216</b>	79,198
	Note	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Deferred Capital Grants</b>	19	<u>31,578</u>	<u>31,361</u>	<u>31,578</u>	<u>31,361</u>
<b>Endowments</b>					
Permanent	20	270	271	270	271
Expendable	20	1,564	1,411	1,564	1,411
		<u>1,834</u>	<u>1,682</u>	<u>1,834</u>	<u>1,682</u>
<b>Reserve</b>					
General Reserve	21	49,480	47,246	49,830	47,246
Pension Reserve	21	(2,026)	(1,091)	(2,026)	(1,091)
Total Reserves		<u>47,454</u>	<u>46,155</u>	<u>47,804</u>	<u>46,155</u>
<b>Total</b>		<u>80,866</u>	<u>79,198</u>	<u>81,216</u>	<u>79,198</u>

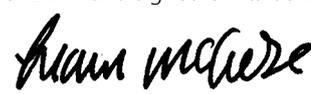
The financial statements on pages 1 to 32 were approved by University Court on the 15 December 2014 and signed on its behalf by:



G. McCormac  
Principal and Vice-Chancellor



A. Sturgess  
Chair, Joint Policy Planning and Resources Committee



L. F. McCabe  
Director of Finance

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>Net Cash inflow from Operating Activities</b>	22	<b>6,408</b>	7,712
Returns on Investment and Servicing of Finance	23	<b>(86)</b>	220
Taxation		<b>0</b>	0
Capital Expenditure and Financial Investment	24	<b>(15,975)</b>	(12,710)
Management of Liquid Resources	26	<b>0</b>	0
Financing	25	<b>11,307</b>	10,815
<b>Increase in Cash in the year</b>		<b><u>1,654</u></b>	<u>6,037</u>

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

	Note	2014 £'000	2013 £'000
Increase in Cash in the year		<b>1,654</b>	6,037
Cash outflow/(inflow) from Liquid Resources	26	<b>0</b>	0
Cash (inflow) from financing	25	<b>(11,307)</b>	(10,815)
Cash outflow in respect of loan and lease finance repayments	25	<u><b>0</b></u>	<u>0</u>
Change in Net Funds/(Debts) resulting from cash flows		<b>(9,653)</b>	(4,778)
Finance Lease non-cash transaction		<u><b>0</b></u>	<u>0</u>
<b>Movement in Net Funds/(Debts) in Period</b>	26	<b>(9,653)</b>	(4,778)
Net Funds at 1 August	26	<b>14,484</b>	19,262
<b>Net Funds at 31 July</b>	26	<b><u>4,831</u></b>	<u>14,484</u>

The notes on pages 9 to 32 form an integral part of these financial statements.

# STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS & LOSSES

for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>Surplus on continuing operations after Depreciation of Fixed Assets and after Tax</b>		<b>3,462</b>	4,648
Depreciation of Endowment Asset Investments	20	0	(6)
New endowments	20	411	242
Actuarial (loss) / gain in respect of pension scheme	27	(2,422)	2,543
<b>Total gains and losses recognised in the year</b>		<b><u>1,451</u></b>	<u>7,427</u>
<b>Reconciliation</b>			
Opening reserves and endowments		<b>47,837</b>	40,410
Total recognised gains for the year		<b>1,451</b>	7,427
<b>Closing reserves and endowments</b>		<b><u>49,288</u></b>	<u>47,837</u>

The notes on pages 9 to 32 form an integral part of these financial statements.

# NOTES TO THE ACCOUNTS

for the year ending 31 July 2014

	<b>2014</b>	2013
	<b>£'000</b>	£'000
<b>1. Scottish Funding Council Grants</b>		
General Fund - Teaching	<b>29,074</b>	28,487
General Fund - Research	<b>6,980</b>	6,307
Horizon Fund	<b>1,813</b>	1,683
Other SFC Grants	<b>172</b>	156
Deferred Capital Grants Released in Year:		
Buildings (note 19)	<b>1,484</b>	1,540
Equipment (note 19)	<b>219</b>	107
	<b><u>39,742</u></b>	<u>38,280</u>
<b>2. Tuition Fees and Education Contracts</b>		
UK and EU Fees	<b>15,922</b>	13,553
Non-EU Fees	<b>10,780</b>	14,389
Non-credit Bearing Course Fees	<b>1,436</b>	1,465
Research Training Support Grants	<b>478</b>	534
	<b><u>28,616</u></b>	<u>29,941</u>
<b>3. Research Grants and Contracts</b>		
Research Councils	<b>3,225</b>	2,534
UK Charities	<b>704</b>	833
Government Departments	<b>4,194</b>	3,744
UK Industry and Commerce	<b>514</b>	425
European Commission	<b>1,172</b>	1,363
Other Overseas	<b>527</b>	1,073
Other	<b>616</b>	487
	<b><u>10,952</u></b>	<u>10,459</u>

## NOTES TO THE ACCOUNTS – continued

	2014 £'000	2013 £'000
<b>4. Other Income</b>		
Consultancy and Other Services Rendered	3,195	3,405
Catering	1,323	1,182
Residences	10,170	9,365
Commercial Operations	1,329	897
Stirling Management Centre	3,350	3,241
Aquaculture External Facilities	1,011	826
Sports Development Services	1,907	1,877
Share of income from Joint Venture	174	0
Other Income	4,259	4,215
Deferred Capital Grants Released in Year:		
Buildings (note 19)	402	642
Equipment (note 19)	12	0
	<u>27,132</u>	<u>25,650</u>
<b>5. Endowment and Investment Income</b>		
Income from Expendable Endowments (note 20)	23	10
Income from Permanent Endowments (note 20)	2	4
Other Interest Receivable	280	316
Net Return on Pension Assets	997	318
	<u>1,302</u>	<u>648</u>
<b>6. Staff Costs</b>		
Staff Numbers by Major Category	F.T.E.s	F.T.E.s
Academic Schools	626	593
Academic Services	99	101
Administration and Central Services	222	210
Premises	139	142
Research Grants and Contracts	121	108
Catering and Residences	90	93
Miscellaneous/Other	97	96
	<u>1,394</u>	<u>1,343</u>

## NOTES TO THE ACCOUNTS – continued

	<b>2014</b>	2013
	<b>£'000</b>	£'000
<b>Staff Costs</b>		
Wages and Salaries	<b>50,642</b>	49,752
Social Security Costs	<b>3,884</b>	3,754
Other Pension Costs	<b>7,981</b>	6,832
	<b><u>62,507</u></b>	<u>60,338</u>
Academic Schools	<b>33,141</b>	31,330
Academic Services	<b>4,090</b>	4,309
Administration and Central Services	<b>9,156</b>	8,751
Premises	<b>2,905</b>	3,116
Research Grants and Contracts	<b>5,535</b>	5,101
Catering, Residences and Commercial Operations	<b>4,126</b>	4,086
Miscellaneous/Other	<b>3,554</b>	3,645
	<b><u>62,507</u></b>	<u>60,338</u>

**Number of staff who received emoluments in the following ranges**

(including the Principal and Vice-Chancellor)

	<i>All staff</i>		<i>Senior Executive Team</i>		<i>Heads of Schools and Directors of Service Areas</i>	
	<b>2013/14</b>	2012/13	<b>2013/14</b>	2012/13	<b>2013/14</b>	2012/13
	<b>Number</b>	Number	<b>Number</b>	Number	<b>Number</b>	Number
£70,000 - £79,999	<b>27</b>	13	<b>0</b>	0	<b>1</b>	2
£80,000 - £89,999	<b>13</b>	16	<b>0</b>	0	<b>1</b>	4
£90,000 - £99,999	<b>16</b>	13	<b>1</b>	2	<b>8</b>	6
£100,000 - £109,999	<b>4</b>	3	<b>1</b>	1	<b>2</b>	1
£110,000 - £119,999	<b>3</b>	0	<b>1</b>	0	<b>1</b>	0
£120,000 - £129,999	<b>1</b>	1	<b>1</b>	1	<b>0</b>	0
£130,000 - £139,999	<b>0</b>	1	<b>0</b>	1	<b>0</b>	0
£140,000 - £149,999	<b>1</b>	1	<b>1</b>	1	<b>0</b>	0
£150,000 - £159,999	<b>1</b>	0	<b>1</b>	0	<b>0</b>	0
£200,000 - £209,999	<b>0</b>	1	<b>0</b>	1	<b>0</b>	0
£230,000 - £239,999	<b>1</b>	0	<b>1</b>	0	<b>0</b>	0
Total Number of High Earners	<b><u>67</u></b>	<u>49</u>	<b><u>7</u></b>	<u>7</u>	<b><u>13</u></b>	<u>13</u>

The University Strategy & Policy Group (USPG) is regarded as the senior executive team which consists of seven positions: 1, Principal and Vice-Chancellor, 2, Senior Deputy Principal and Deputy Vice-Chancellor, 3, Deputy Principal and Deputy Vice-Chancellor, 4, Deputy Principal (Education and Students) and Deputy Vice-Chancellor, 5, University Secretary and Chief Operating Officer, 6, Director of Finance and 7, Deputy Secretary.

The Heads of Schools and Directors of Service Areas consists of eight Heads of Academic Schools: the Graduate School, School of Applied Social Science, School of Arts and Humanities, School of Education, School of Natural Sciences, School of Health Sciences, School of Sport and Stirling Management School and six Service Directors; Commercial Services; Development and External Affairs; Estates and Campus Services; Human Resources Services; Information Services; Research and Enterprise.

## NOTES TO THE ACCOUNTS – continued

	2014 £'000	2013 £'000
<b>Emoluments of the Principal &amp; Vice-Chancellor</b>		
<b>Professor Gerry McCormac</b>		
Salary & pension contributions	248	236
Benefits in kind	1	2
	<u>249</u>	<u>238</u>
	£'000	£'000
<b>7. Other Operating Expenses</b>		
Academic Schools	6,368	6,746
Academic Services	2,732	2,332
Administration and Central Services	5,090	5,804
Premises	4,772	5,219
Research Grants and Contracts	3,302	3,444
Consultancy and Other Services Rendered	1,242	1,138
Catering	1,269	1,179
Residences	2,781	3,493
Commercial Operations	593	492
Stirling Management Centre	1,946	2,026
Aquaculture External Facilities	479	308
Sports Development Services	752	873
Miscellaneous *	2,285	58
Early Retirement & Severance	780	674
	<u>34,391</u>	<u>33,786</u>

\* 2013-14 expenditure includes £800k contribution to USPS Pension deficit, c£400k provision for pension buy-out, £259k transfer to endowments and c£240k provision for European Research projects.

Other operating expenses include:

Auditors' remuneration		
External Auditors		
- for the audit of the financial statements	42	41
- other services	17	37
Internal Auditors	49	67
	<u>108</u>	<u>145</u>

**8. Interest Payable**

Bank loans not wholly repayable within five years	391	110
	<u>391</u>	<u>110</u>

## NOTES TO THE ACCOUNTS – continued

### 9. Analysis of 2013-2014 Expenditure by Activity

	<b>Staff Costs £'000</b>	<b>Depreciation £'000</b>	<b>Other Operating Expenses £'000</b>	<b>Interest Payable £'000</b>	<b>Total £'000</b>
Academic Schools	33,141	83	6,368	0	39,592
Academic Services	4,090	685	2,732	0	7,507
Administration and Central Services	9,156	435	5,090	0	14,681
Premises	2,905	3,623	4,772	0	11,300
Research Grants and Contracts	5,535	27	3,302	0	8,864
Consultancy and Other Services Rendered	1,389	63	1,242	0	2,694
Catering	82	5	1,269	0	1,356
Residences	3,452	1,024	2,781	391	7,648
Commercial Operations	591	0	593	0	1,184
Stirling Management Centre	437	338	1,946	0	2,721
Aquaculture External Facilities	480	84	479	0	1,043
Sports Development Services	1,605	84	752	0	2,441
Miscellaneous	(360)	10	2,285	0	1,935
Early Retirement & Severance	5	0	780	0	785
<b>Total per Income and Expenditure Account</b>	<u>62,508</u>	<u>6,461</u>	<u>34,391</u>	<u>391</u>	<u>103,751</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released	2,117	(note 19)
General Income	<u>4,344</u>	
	<u>6,461</u>	

## NOTES TO THE ACCOUNTS – continued

## 10. Tangible Fixed Assets

## Consolidated and University

	Land, Buildings & Assoc. Equip.		Equipment £'000	Leased Equipment £'000	Assets Under Construction £'000	Total £'000
	Freehold £'000	Leasehold £'000				
At 1 August 2013 Cost	120,889	100	17,649	0	14,126	152,764
Additions at Cost	4,065	0	2,599	0	12,047	18,711
Disposals at Cost	0	0	(418)	0	0	(418)
Transfers	12,793	0	1,312	0	(14,105)	(0)
At 31 July 2014 Cost	<u>137,747</u>	<u>100</u>	<u>21,142</u>	<u>0</u>	<u>12,068</u>	<u>171,057</u>
<b>Depreciation</b>						
At 1 August 2013	54,689	62	15,112	0	0	69,863
Charge for Year	4,869	1	1,591	0	0	6,461
Eliminated by Disposals	0	0	(418)	0	0	(418)
At 31 July 2014	<u>59,558</u>	<u>63</u>	<u>16,285</u>	<u>0</u>	<u>0</u>	<u>75,906</u>
<b>Net Book Value</b>						
At 31 July 2014	<u>78,189</u>	<u>37</u>	<u>4,857</u>	<u>0</u>	<u>12,068</u>	<u>95,151</u>
At 1 August 2013	<u>66,200</u>	<u>38</u>	<u>2,537</u>	<u>0</u>	<u>14,126</u>	<u>82,901</u>

**Inherited Assets**

Buildings with a net book value of £2,807,000 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 31st July 2014 include; the Residential Redevelopment Project £11,122,000 to provide high quality student accommodation, phase 2 of which will be available in September 2014 and £770,000 for the wireless project which will install new WiFi access across the campus.

**Software**

Software with a net book value of £1,360,000 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.

	<b>2014</b>	2013
	<b>£'000</b>	£'000
	<b>Group and University</b>	
<b>11. Investments</b>		
Listed Investments		
Balance as at 1 August	<b>385</b>	349
Additions	<b>108</b>	145
Disposals	<b>(102)</b>	(139)
Appreciation on Disposals/Revaluation of Investments	<b>13</b>	30
Balance as at 31 July	<u><b>404</b></u>	<u>385</u>
<b>12. Endowment Assets</b>		
Balance as at 1 August	<b>1,682</b>	1,512
New endowments invested	<b>30</b>	5
Endowment assets disposed	<b>(27)</b>	0
Increase in market value of investments	<b>0</b>	(6)
Increase in cash balances held for endowment funds (note 26)	<b>149</b>	171
Balance as at 31 July	<u><b>1,834</b></u>	<u>1,682</u>
Represented by:		
Fixed interest stocks (listed)	<b>15</b>	16
Equities (listed)	<b>176</b>	172
Equities (unlisted)	<b>0</b>	0
Land and property	<b>0</b>	0
Cash balances (note 26)	<b>1,643</b>	1,494
Total	<u><b>1,834</b></u>	<u>1,682</u>



## NOTES TO THE ACCOUNTS – continued

	<b>2014</b>	2013
	<b>£'000</b>	£'000
<b>17. Consolidated Provisions for Liabilities and Charges</b>		
<b>At 1 August</b>	<b>591</b>	936
Utilised in the year	<b>(242)</b>	(528)
Released unutilised	<b>(10)</b>	(241)
Arising in the year	<b>939</b>	424
<b>At 31 July</b>	<b><u>1,278</u></b>	<u>591</u>

### 18. Joint Ventures

INTO University of Stirling LLP is an exciting new joint venture between the University and INTO University Partnerships Limited, which was created in financial year 2013-14. The joint venture will create two world-class international study centres in Stirling and London which will provide a range of academic and English language preparation courses for international students, with the expectation of an additional 400 students being recruited. Pre-sessional teaching began in summer 2014. The University's share, 50%, of the company's gross assets and liabilities are included in the University's consolidated balance sheet and 50% of its income is reported in the University's consolidated income and expenditure account. The loss generated in the first year of operation was anticipated as the costs include start-up costs. The joint venture agreement requires the University to provide a dedicated teaching building, by 2017-18, at a cost of no more than £6.5 million. Plans are underway to meet this requirement.

The University's share of the company turnover, assets and liabilities were as follows:

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Turnover	<b>174</b>	0
Interest payable	<b>0</b>	0
Share of gross assets	<b>613</b>	0
Share of gross liabilities	<b>(970)</b>	0
	<b><u>(357)</u></b>	<u>0</u>

## NOTES TO THE ACCOUNTS – continued

## 19. Deferred Capital Grants

	<b>Group and University</b>		
	<b>Funding</b>	<b>Other</b>	
	<b>Council</b>	<b>Grants and</b>	<b>Total</b>
	<b>£'000</b>	<b>Gifts</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 August 2013</b>			
Buildings	20,817	10,353	31,170
Equipment	171	20	191
Total	<u>20,988</u>	<u>10,373</u>	<u>31,361</u>
Cash received			
Buildings	748	66	814
Equipment	1,503	17	1,520
Total	<u>2,251</u>	<u>83</u>	<u>2,334</u>
Released to income and expenditure account			
Buildings (notes 1 and 4)	(1,484)	(402)	(1,886)
Equipment (notes 1 and 4)	(219)	(12)	(231)
Total (note 8)	<u>(1,703)</u>	<u>(414)</u>	<u>(2,117)</u>
<b>At 31 July 2014</b>			
Buildings	20,081	10,017	30,098
Equipment	1,455	25	1,480
Total	<u>21,536</u>	<u>10,042</u>	<u>31,578</u>

## NOTES TO THE ACCOUNTS – continued

### 20. Endowments

	<b>Restricted Permanent £'000</b>	<b>Restricted Expendable £'000</b>	<b>2014 Total £'000</b>	2013 Total £'000
<b>Balance as at 1 August</b>				
Capital	216	1,066	<b>1,282</b>	1,243
Accumulated income	<u>55</u>	<u>345</u>	<b>400</b>	<u>269</u>
	<u>271</u>	<u>1,411</u>	<b>1,682</b>	<u>1,512</u>
New Endowments	0	411	<b>411</b>	242
Investment Income	<u>2</u>	<u>23</u>	<b>25</b>	<u>14</u>
Expenditure	<u>(3)</u>	<u>(281)</u>	<b>(284)</b>	<u>(80)</u>
	(1)	(258)	<b>(259)</b>	(66)
Increase /(decrease) in market value of investments 0	<u>0</u>	<u>0</u>	<b>0</b>	<u>(6)</u>
<b>Balance as at 31 July</b>	<u>270</u>	<u>1,564</u>	<b>1,834</b>	<u>1,682</u>
<b>Representing</b>				
Capital	216	1,477	<b>1,693</b>	1,282
Accumulated income	<u>54</u>	<u>87</u>	<b>141</b>	<u>400</u>
<b>Total</b>	<u>270</u>	<u>1,564</u>	<b>1,834</b>	<u>1,682</u>

## NOTES TO THE ACCOUNTS – continued

	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>21. General Reserve</b>				
Income and Expenditure Account				
Balance as at 1st August	<b>46,155</b>	38,898	<b>46,155</b>	38,898
Historical Cost Surplus after				
Depreciation of Assets and Tax	<b>3,721</b>	4,714	<b>4,071</b>	4,714
Actuarial (loss) / gain on pension scheme liability	<b>(2,422)</b>	2,543	<b>(2,422)</b>	2,543
<b>At 31st July</b>	<b><u>47,454</u></b>	<u>46,155</u>	<b><u>47,804</u></b>	<u>46,155</u>
<b>Represented by:</b>				
Income and Expenditure Account				
Balance as at 1st August	<b>47,246</b>	43,462	<b>47,246</b>	43,462
Historical Cost Surplus after				
Depreciation of Assets and Tax	<b>3,721</b>	4,714	<b>4,071</b>	4,714
Transfer from Pension Reserve	<b>(1,487)</b>	(930)	<b>(1,487)</b>	(930)
	<b><u>49,480</u></b>	<u>47,246</u>	<b><u>49,830</u></b>	<u>47,246</u>
Pension Reserve				
Deficit in schemes at beginning of year	<b>(1,091)</b>	(4,564)	<b>(1,091)</b>	(4,564)
Movement in year:				
Current Service Cost	<b>(440)</b>	(1,696)	<b>(440)</b>	(1,696)
Contributions	<b>930</b>	2,308	<b>930</b>	2,308
Net Return on Assets	<b>997</b>	318	<b>997</b>	318
Actuarial (loss) / gain	<b>(2,422)</b>	2,543	<b>(2,422)</b>	2,543
Deficit in Scheme at end of year	<b>(2,026)</b>	(1,091)	<b>(2,026)</b>	(1,091)
<b>Reconciliation</b>				
Income and Expenditure Account	<b>49,480</b>	47,246	<b>49,830</b>	47,246
Pension Reserve	<b>(2,026)</b>	(1,091)	<b>(2,026)</b>	(1,091)
	<b><u>47,454</u></b>	<u>46,155</u>	<b><u>47,804</u></b>	<u>46,155</u>

## NOTES TO THE ACCOUNTS – continued

	2014 £'000	2013 £'000
<b>22. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities</b>		
Surplus on continuing operations after depreciation of assets and before tax	3,819	4,648
Pension Costs less contributions payable (note 27)	(490)	(612)
Depreciation (note 10)	6,461	6,096
Revaluation of Investments (note 11)	(13)	(30)
Deferred Capital Grants Released to Income (note 19)	(2,117)	(2,289)
Investment income and net endowment receivable (note 5)	(1,302)	(648)
Interest payable (note 8)	391	110
Decrease in stocks	53	53
Decrease in debtors/prepayments (note 13)	(2,161)	(1,437)
Increase in creditors/accruals (note 14)	1,080	2,166
Increase/(decrease) in provisions (note 17)	687	(345)
<b>Net cash inflow from operating activities</b>	<u><u>6,408</u></u>	<u><u>7,712</u></u>
<b>23. Returns on Investment and Servicing of Finance</b>		
Income from endowments (note 20)	25	14
Other interest received (note 5)	280	316
Interest paid (note 8)	(391)	(110)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u><u>(86)</u></u>	<u><u>220</u></u>
<b>24. Capital Expenditure and Financial Investment</b>		
Purchase of tangible fixed assets (Other than leased equipment) (note 10)	(18,711)	(13,901)
Purchase of investments (note 11)	(108)	(145)
Sale of investments (note 11)	102	139
Payments to acquire endowment assets (note 12)	(30)	(57)
Receipt from sale of endowment assets (note 12)	27	52
Deferred capital grants received in-year (note 19)	2,334	960
Endowments received (note 20)	411	242
<b>Net cash outflow in respect of capital expenditure and financial investment</b>	<u><u>(15,975)</u></u>	<u><u>(12,710)</u></u>

## NOTES TO THE ACCOUNTS – continued

## 25. Analysis of Changes in Financing during the Year

	<b>Total Loans £'000</b>
Balances at 1 August 2012	1,500
New leases/loans	10,815
Capital Repayments	<u>0</u>
Net Amount Repaid in Year	<u>10,815</u>
Balances at 31 July 2013	12,315
New leases/loans	11,307
Capital Repayments	<u>0</u>
Net Amount Borrowed in Year	<u>11,307</u>
Balances at 31 July 2014	<u><u>23,622</u></u>

## 26. Analysis of Changes in Net Funds

	<b>At 1 August 2013 £'000</b>	<b>Cash flows £'000</b>	<b>At 31 July 2014 £'000</b>
Cash in hand, and at bank	25,305	1,505	26,810
Endowment asset investments (note 12)	<u>1,494</u>	<u>149</u>	<u>1,643</u>
	26,799	1,654	28,453
Debt due after more than one year	(12,315)	(11,307)	(23,622)
<b>Total</b>	<u><u>14,484</u></u>	<u><u>(9,653)</u></u>	<u><u>4,831</u></u>

## NOTES TO THE ACCOUNTS – continued

### 27. Pension Schemes (Group and University)

#### *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). They are defined benefit schemes the assets of which are held in separate trustee-administered funds.

The total pension costs for the University were:

	<b>2014</b>	2013
	<b>£'000</b>	£'000
USS: contributions paid	<b>7,538</b>	5,297
USPS/USPSCS:		
Contributions paid	<b>933</b>	2,147
FRS 17 charge	<b>(490)</b>	(612)
Charge to the Income and Expenditure Account (staff costs)	<b>443</b>	1,535
Total Pension Costs (Note 6)	<b><u>7,981</u></b>	<u>6,832</u>

Contributions amounting to £966k (2013: £779k) were payable to the schemes and are included in creditors.

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

USPSCS was closed to new members and to future benefit accrual for existing members as at 31 July 2014. Active members at that date were offered, on an individual basis membership of USS from 1 August 2014 under the USS defined benefit Career Revalued Benefits section.

The actuarial valuation of 1 September 2011 resulted in a deficit of £170,000 on a technical provisions basis. In light of this shortfall the Trustees and the University agreed a schedule of contributions and recovery plan aimed to remove the shortfall by 31 May 2016 by paying deficit contributions at the rate of £7,900 per month.

## NOTES TO THE ACCOUNTS - continued

The principal assumptions set by the University and applied by the actuary, for the USPS and USPSCS schemes were:

	<b>At 31/07/14</b>	<b>At 31/07/13</b>	<b>At 31/07/12</b>
Rate of increase in salaries	2.4%	2.4%	1.9%
Rate of increase for pensions in payment	-	-	-
Discount rate for scheme liabilities	4.2%	4.7%	4.5%
Rate of increase of deferred pensions	-	-	-
Inflation assumption - CPI	2.4%	2.4%	1.9%
Inflation assumption - RPI	3.3%	3.4%	2.7%

Notes:

1. Rate of increase in salaries has been assumed as 1% p.a. for the first 3 years, increasing to 2.4% 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:

	<b>At 31/07/14</b>	<b>At 31/07/13</b>
<i>Retiring today/current pensioners</i>		
Males	21.12	21.25
Females	23.37	23.55
<i>Retiring in 20 years/future pensioners</i>		
Males	22.86	22.95
Females	25.26	25.49

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

	<b>Long-term rate of return expected 01/08/13</b>	<b>Long-term rate of return expected 01/08/12</b>
Equities	7.1%	6.3%
Bonds	3.3%	2.5%
Property	6.8%	6.0%
Other (Cash)	0.5%	0.5%
Overall for scheme	6.4%	5.4%

## NOTES TO THE ACCOUNTS - continued

	<b>2014</b>	2013
	<b>£'000</b>	£'000
<b>Analysis of Amount Charged to Operating Profit</b>		
Current service cost	440	1,696
<b>Total operating charge</b>	<u>440</u>	<u>1,696</u>
<b>Analysis of amounts credited to Other Investment Income</b>		
Expected return on pension schemes' assets	3,924	2,964
Interest cost	<u>(2,927)</u>	<u>(2,646)</u>
<b>Net return</b>	<u>997</u>	<u>318</u>
<b>Analysis of amounts recognised in STRGL</b>		
Difference between actual return and expected return on pension scheme's assets	2,404	4,666
Experience gains and losses arising on the schemes' liabilities	48	403
Changes in financial assumptions underlying the schemes' liabilities	<u>(4,874)</u>	<u>(2,526)</u>
<b>Actuarial (loss) / gain recognised in STRGL</b>	<u>(2,422)</u>	<u>2,543</u>
<b>Movement in Deficit Through the Year</b>		
Deficit in Schemes at beginning of year	(1,091)	(4,564)
Current Service Cost	(440)	(1,696)
Contributions	930	2,308
Other Finance Income	997	318
Actuarial Gain / (Loss)	<u>(2,422)</u>	<u>2,543</u>
<b>Deficit in Schemes at end of year</b>	<u>(2,026)</u>	<u>(1,091)</u>
<b>Movement in present value of schemes' liabilities</b>		
Liability at beginning of year	63,569	59,091
Service Cost	440	1,696
Employee Contributions	8	443
Interest Cost	2,927	2,646
Actuarial Losses	4,826	2,123
Benefits Paid	<u>(3,052)</u>	<u>(2,430)</u>
<b>Liability at end of year</b>	<u>68,718</u>	<u>63,569</u>
<b>Movement in market value of schemes' assets</b>		
Asset at beginning of year	62,479	54,528
Expected Return	3,924	2,964
Actuarial Losses	2,404	4,666
Contributions by Employer	930	2,308
Contributions by Members	8	443
Benefits Paid	<u>(3,052)</u>	<u>(2,430)</u>
<b>Asset at end of year</b>	<u>66,693</u>	<u>62,479</u>

## NOTES TO THE ACCOUNTS - continued

### History of Experience Gains and Losses

	31/07/14	31/07/13	31/07/12	31/07/11
Difference between the expected and actual return on schemes' assets:				
Amount (£'000)	2,404	4,666	(1,582)	1,764
Percentage of schemes' assets	3.6%	7.5%	(2.9%)	3.4%
Experience gain/(loss) arising on the schemes' liabilities:				
Amount (£'000)	48	403	(550)	(789)
Percentage of schemes' liabilities	0.1%	0.6%	(1.0%)	(1.5%)
Total amount of actuarial gain/(loss)				
Amount (£'000)	(2,422)	2,543	401	8,467
Percentage of schemes' liabilities	(4.0%)	4.0%	0.7%	16.5%

### 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 three and a maximum of five are independent 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 2014 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

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

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 trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

## NOTES TO THE ACCOUNTS – continued

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:

Assumption	Change in assumption	Impact on shortfall
Investment return (Valuation rate of interest)	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

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing 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 was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation 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 valuation effective date of 31 March 2011 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 benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

### *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%.

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.

## NOTES TO THE ACCOUNTS – continued

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the institution had 1,467 active members participating in the scheme.

The total pension cost for the institution was £7,538k (2013: £5297K). This includes £996k (2013: £761k) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

## NOTES TO THE ACCOUNTS – continued

	<b>2014</b>	2013
	<b>£'000</b>	£'000
<b>28. Capital Commitments</b>		
Commitments contracted at 31 July	<b>14,795</b>	13,559
Authorised but not contracted at 31 July	<b>32,560</b>	26,894
	<u><b>47,355</b></u>	<u>40,453</u>
<b>29. Lease Obligations</b>		
Operating lease commitments for the 2014 financial year, on leases expiring:		
Between one and five years		
Union Street residential property lease	<b>599</b>	599
Lyon Crescent residential property lease	<b>432</b>	432
	<u><b>1,031</b></u>	<u>1,031</u>
<b>30. Access Funds</b>		
Balance at 1 August	<b>3</b>	1
Funding Council grants	<b>733</b>	759
Previous years loan repaid	<b>3</b>	2
Interest earned	<b>2</b>	2
	<u><b>741</b></u>	<u>764</u>
Disbursed to students	<b>(739)</b>	(761)
Balance Unspent as at 31 July	<u><b>2</b></u>	<u>3</u>

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.

### 31. 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 risen 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 2014 is circa £450k.

The University is currently subject to an appeal 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. The appeal was rejected by the Court of Session however UCU are bringing this appeal before the Supreme Court of the United Kingdom. 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

### 32. Related Party Transactions

	2013-14			2012-13		
	Income £'000	Expenditure £'000	Debtor £'000	Income £'000	Expenditure £'000	Debtor £'000
<b>Stirling University Innovation Park Limited (SUIP) (Note 1)</b>	74	469	13	85	425	53
<b>University of Stirling Students Union (USSU) (Note 2)</b>	65	228	1	49	422	0
	<u>139</u>	<u>697</u>	<u>14</u>	<u>134</u>	<u>847</u>	<u>53</u>

Note:

1. SUIP - Dr John Rogers and Ms Karen Plouviez, Directors
2. USSU - Mr Johannes Butscher - President from 1 June 2013, Ms Amy McDermott - President from 1 June 2014, Ms Lucy Harvey - Vice President from 1 June 2013, Ms Lauren Marriott - Vice President from 1 June 2014

### 33. 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 company's results have been consolidated into the University's financial statements.

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.

### 34. 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 £6.4m.

### 35. Post Balance Sheet Events

There were no post balance sheet events which require disclosure within these financial statements.

## COMPOSITION OF COMMITTEES CONCERNED DIRECTLY WITH FINANCE

*IN THE YEAR ENDED 31 JULY 2014*

### **Membership of Audit Committee**

Mr S Haldane \*

Mr R G Murray (Chair) \*

Mr G Pomphrey \*

### **Membership of Joint Policy, Planning & Resources Committee (JPPRC)**

Mr Harry Adam \*

Professor N Blain

Professor A Bowes

Professor S Burt

Professor E Burke

Mr J Butscher (to 31/05/2014)

Professor J Gardner

Ms L Harvey (to 31/05/2014)

Mr P Holmes \*

Professor G McCormac

Ms B McKissack \*

Mr S Morrow (from 01/01/2014)

Professor R Oram (from 01/01/2014)

Ms E Schofield

Mr A G Simpson \*

Professor Leigh Sparks

Mr A Sturgess (Chair) \*

\* Lay member

# The University Court

(For the year to 31 July 2014)

## Ex-Officio Members

### **Professor (Francis) Gerard McCormac**

BSc (Ulster), PhD (Southampton), FSA, FHEA, FRSA, Principal and Vice-Chancellor

### **Professor Steve Burt**

BA (Oxon), PhD (Stirling), Senior Deputy Principal

### **Councillor Mike Robbins**

MICH, ACMI, ACIEA – Provost of Stirling

### **Mr Johannes Butscher to 31 May 2014**

President of the University of Stirling Students' Union

### **Ms Amy McDermott from 1 June 2014**

BA (Stirling) – President of the University of Stirling Students' Union

### **Ms Lucy Harvey to 31 May 2014**

BSc (Stirling) – Vice President for Activities & Development, University of Stirling Students' Union

### **Ms Lauren Marriott from 1 June 2014**

BA (Stirling) – Vice President Communities, University of Stirling Students' Union

## Appointed Members

### **Mr Harry Adam**

BA (Stirling) MCIPD, MIOD – appointed by the Court

### **Mr Simon Niall Anderson**

MA, MSc (Edinburgh) – appointed by the Court

### **Professor Brian Austin**

BSc (Newcastle), PhD, DSc, (Newcastle/Heriot-Watt), FHEA, FRSA – appointed by Academic Council

### **Mr Kevin Condron**

BA (Stirling), DipM, DipCIPD – appointed by the Court

### **Professor Brigid Daniel**

MA (St Andrews), PhD (Edinburgh), CQSW – appointed by Academic Council

### **Mr James Dick**

Appointed by the Staff Assembly

### **Dr Jozsef Farkas**

MSc, PhD (Budapest) – appointed by Academic Council

### **Professor Tara Fenwick**

BA, BEd, MEd, PhD (Alberta) – appointed by Academic Council

### **Ms Alison Green**

LLB, Dip LP (Edinburgh), ACIBS, FHEA – appointed by Academic Council

### **Mr Scott Haldane**

BA (Stirling) CA, CPFA, FHFMA – appointed by the Court

### **Dr Richard Holloway to 24 September 2013**

BD (London), STM (Union Theological Seminary NY), Hon Degrees DD (Glasgow and Aberdeen), LLD (Dundee), DLit (Edinburgh Napier), DUniv (Stirling, Strathclyde, Royal Conservatoire of Scotland), FRSE – appointed by the Chancellor

### **Mr Peter Sloan Holmes**

BA (Oxon) – appointed by the Court

### **Mr Sean Lewis**

BA (Stirling) CA – appointed by the Court

### **Ms Lynne Anne Marr**

LLB (Edinburgh), DipLP – appointed by the Court

### **Ms Barbara McKissack**

BA (Stirling) – appointed by the Court

### **Mr Richard Gerard Murray**

BA (Stirling) CA – appointed by the Court

### **Mr Gordon McLaren Pomphrey**

BSc (Strathclyde), CEng, FICE – appointed by the Court

### **Professor Leigh Robinson**

BPhyEd (Otago), MSc, PhD (Loughborough) – appointed by Academic Council

### **Mr Alan Gordon Simpson**

MA (Oxon), DL, CEng, MICE, appointed by the Court – Chair of Court

### **Mr Andrew Sturgess**

BA (Stirling) FCA, CA – appointed by the Court

# 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

## 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

## Accommodation & Commercial Services

+44 (0) 1786 466000

## Estates & Campus Services

+44 (0) 1786 467094

## Finance Office

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## Gannochy Sports Centre

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## Human Resources Services

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## macrobert arts centre

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To view the current version of the Financial Statements,  
visit: [www.stir.ac.uk/about/publications](http://www.stir.ac.uk/about/publications)

