



ANNUAL
REPORT
2021
& ACCOUNTS

1495
 UNIVERSITY OF
ABERDEEN

“Open to all and dedicated to the pursuit of truth in the service of others”



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Welcome

For the first time since my election as Senior Governor, I am delighted to welcome you to the University of Aberdeen's Annual Report and Accounts on behalf of the University Court.

In absorbing the outstanding and varied activities which have been undertaken across the breadth of our University community over the past year and which are highlighted within the Annual Report, I came to reflect that our lives are marked by watershed moments – those times when we can celebrate success and achievement yet be inspired by the new and exciting opportunities which lie ahead of us.

For me, my election as Senior Governor in Summer 2021 was one such occasion. I am honoured to lead the University Court and am deeply indebted to all its members for the warm welcome which I received following my appointment. Our team of governors are drawn from a variety of backgrounds and professions and bring with them a wide range of experience and expertise. To capitalise on the opportunities this presents, I am keen to ensure that we all play an active role in supporting the achievement of the University's Aberdeen 2040 ambitions.

It is perhaps a reflection of the unique and turbulent times in which we have lived that regrettably, there are some individuals whose terms of office have concluded since the publication of the last Annual Report but who I only ever met 'virtually' via online calls. Nevertheless, I would like to take this opportunity to thank all of our former members of Court for their unwavering commitment and dedication to the University over many years. On behalf of the University Court I would also like to extend my particular thanks to Nuala Booth for taking on the role of Interim Senior Governor prior to my taking up office. In addition, I would like to acknowledge the insights, enthusiasm and commitment of Jenny Shirreffs, David MacFarlane and Cecilia Wallback in their roles on Court. Each has played a significant part in our journey, completing their maximum terms of appointment to Court this year.

As I write, I am conscious that the United Nations Climate Change Conference (COP26) has recently taken place. This was a watershed event on a global scale which I hope will be a catalyst for real and sustained change in sustainability and environmental awareness. The University's contribution to this event was outstanding and this, coupled with our ambitious programme for embedding sustainability across all aspects of our lives and work as outlined later in this Report, provides us with a platform from which we can continue to build upon our achievements in this vitally important area.

Despite the challenges arising from the Covid-19 pandemic and the restrictions which we have all

faced on a daily basis, our academic colleagues and students have worked together to advance our understanding of this devastating virus and its impact. The nature of this work, which has encompassed individuals from scientific and humanities disciplines, has highlighted the importance of adopting interdisciplinary approaches in seeking creative solutions to global questions and problems. This truly is a shining example of how one of our Aberdeen 2040 themes is operating in practice to the benefit of those beyond our own local area.

At a local level, I would like to take this opportunity to recognise the invaluable contribution made by colleagues during the Covid-19 pandemic who have tirelessly provided essential on-campus services throughout the 'lockdown' period and beyond. The creativity and adaptability of those individuals, and indeed of all colleagues across every School and Professional Services Directorate, during this challenging period in our history has been inspirational. All members of the Court are deeply indebted to them for their efforts.

The publication of its Annual Report is, in itself, a watershed moment in the lifecycle of every organisation. Recent global events have reminded us, if such a reminder were needed, of the value and importance of our universities in today's society - as homes of learning and discovery where the boundaries of knowledge can be pushed and our quest for knowledge and personal development can be fulfilled. The achievements outlined within this Report are testament to the hard work, dedication and commitment of every member of the University of Aberdeen community. I can assure you that the examples of resilience, innovation and creativity amongst individuals and teams as outlined in the following pages will inspire and humble you in equal measure. As we continue our transition to the 'post-pandemic' world, I am confident that our sense of community and belonging to the University of Aberdeen offers us real hope for the future.

I hope you enjoy reading this Annual Report and that you are as inspired as I am by the prospect of being part of the University of Aberdeen's journey throughout the opportunities which lie ahead of us.



Julie Ashworth
Senior Governor

A huge amount of work has been done in 2020 and 2021 by the University community and our external partners to navigate through the consequences of the global pandemic. Our entire community can be very proud of our collective efforts to adapt and keep the University operating so successfully.

Throughout the year, our key priorities have been to enhance the University's academic achievements and financial sustainability, protect jobs and create a safe environment for staff and students. Everyone in the University community has played their part and for that I am very grateful. Our response to the pandemic has evolved over the last year and our on-campus research and teaching activities are now operating almost normally.

Despite the difficulties presented by the pandemic, the University has made significant steps over the last 12 months and has again reported a significant surplus at the end of the latest financial year.

The University has also celebrated numerous research and teaching achievements over the last year, including:

- We have received one of the largest Arts and Humanities Research Council awards for the University at around £1m, to enable the publication of a complete edition of Walter Scott's poetry and help to make it accessible to new audiences. In celebration of the 250th Anniversary of Scott's birth, we have launched a new exhibition.
- We continue to access European Funding, with an Innovative Medicine Initiative award (joint funding between European Union and European Federation of Pharmaceutical Industries and Associations), to improve care for patients with prostate, breast and lung cancer address using artificial intelligence.
- At the same time, our spin-out portfolio companies attract commercial success, with a sale of nearly £8.5 million for the company developing synthetic bone graft substitute.

A range of innovative degree programmes have also been launched this year, including an MSc in Planetary Sciences. The University has also introduced the UK's first postgraduate degree programme in Energy Transition Systems and Technologies. Similarly, a new MSc in Sustainability Transitions has been launched which will provide the next generation of leaders and innovators with the knowledge and skills to take forward and deliver on the UN Sustainable Development Goals.

In addition to these research and teaching successes, work has continued to address the commitments made in Aberdeen 2040, our 20-year vision of strategic purpose, which outlines how we're going to continue to fulfil our foundational purpose of being open to all and dedicated to the pursuit of truth in the service of others, and how we'll ensure that our education and research are inclusive, interdisciplinary, international, and sustainable. As part of Aberdeen 2040 we are also addressing five key interdisciplinary challenges: Energy Transition; Social Inclusion and Cultural Diversity; Environment and Biodiversity; Data and Artificial Intelligence; and Health, Nutrition and Wellbeing.

The University has also continued its partnership working with businesses, local authorities, and local communities to support social and economic recovery in the north-east of Scotland and beyond. This work has been strengthened by the creation of the new role of Vice-Principal Regional Engagement and Regional Recovery.

Our University is ranked 20th in the UK by the Guardian and the Times and Sunday Times, which is the first time we have been in the top 20 in both UK league tables. In addition, we climbed 20 places in the Times Higher global rankings of universities to 158th in the world, and achieved our best ever rank of 5th in the UK for overall student satisfaction in the National Student Survey. All of this was underpinned by the external recognition of the quality of our Aberdeen 2040 strategy which was named UK university strategy of the year. We are in a very good position to continue to provide outstanding teaching and research that makes a positive difference to the world around us.



Professor George Boyne
Principal and Vice-Chancellor

Aberdeen 2040 – Operational Plan 2020/21

2015-
2020

2040

The University launched a new ambitious 20-year strategy in February 2020, called Aberdeen 2040. The strategy was developed through a deep consultative process involving staff, students, University Court, Senate and various external stakeholders. Aberdeen 2040 is built around the University's foundational purpose from 1495: "Open to all, and dedicated to the pursuit of truth in the service of others." Key ambitions are set out within two core activities (Education and Research), four themes (Inclusive, Interdisciplinary, International and Sustainable), five interdisciplinary societal challenges and 20 commitments (see www.abdn.ac.uk/2040 for the full Strategy).

The development and implementation of Aberdeen 2040 has been characterised by unprecedented engagement by staff, students and other stakeholders. The strategy development was led by workstreams set up around the four

key themes, co-chaired by volunteer staff and students. Extensive consultation was carried out, including workshops with staff and students, information sessions for each of the workstreams, open sessions, interviews with external stakeholders, and a variety of digital means were used to encourage engagement. In the University-wide Staff Survey carried out in autumn 2020, 92% of staff agreed that the University's senior management team had set out a clear vision for the University, and 91% of staff identified with the commitments set out in Aberdeen 2040.

Since the launch of the Strategy, extensive work has been carried out to develop key performance indicators for the 20 commitments, set targets for the first five years of activity (to 2025), identify the key activities which should drive delivery, and develop an Operational Plan with internal stakeholders for the first year of delivery, in 2020/21.

This very successful development and implementation process was praised by HESPA (the Higher Education Strategic Planners Association) in June 2021 when the University won the coveted Strategy Award for the Aberdeen 2040 Strategy.

The Covid-19 pandemic, which led to a closure of the University campus only a month after the launch of Aberdeen 2040, inevitably affected implementation of the new strategy. In response to the unexpected challenges posed by the pandemic, it was agreed to prioritise nine of the twenty commitments in the first year of the plan (2020/21) and these are monitored against targets set for 2025.






The following sections give an overview of the University's performance in AY 2020/21 against the nine commitments prioritised during the pandemic.



ABERDEEN 2040: 2020/21 PRIORITY COMMITMENTS AND UPDATE ON PROGRESS

*All 20 Commitments can be viewed at www.abdn.ac.uk/2040

Commitments	Key Performance Indicator	Progress 2020/21
Commitment 1: We will care for the wellbeing, health and safety of our diverse community, supporting and developing our people to achieve their full potential	Responses to relevant questions in Staff and Student Surveys	No update available until 2022
Commitment 3: We will develop a research portfolio that promotes national and international collaboration with stakeholders, including companies, organisations and governments	Value of and percentage of research grants awarded with external partners (non-HEI, e.g. industry, NGOs, government partners)	
Commitment 4: We will secure the highest standards of equality, diversity and inclusion, achieving accreditations across multiple strands and characteristics	High quality accreditations of inclusiveness	
Commitment 9: We will listen to and work with external stakeholders regionally and globally to build partnerships that deliver imaginative solutions to societal and industrial challenges	Times Higher Education Impact Rankings	
Commitment 10: We will develop our digital systems and enhance our buildings to create virtual and physical spaces that enable interdisciplinary exchange and innovation	Responses to relevant questions in Staff and Student Surveys	No update available until 2022
Commitment 11: We will provide an international education to learners from all around the world, becoming a more diverse and multicultural community	<ul style="list-style-type: none"> • Size and proportion of the international student population • Diversity in the country of origin for the international population 	 No update available until 2022
Commitment 12: We will equip our graduates for global employment through our curriculum and teaching methods	Graduate Outcomes Survey	
Commitment 16: We will encourage everyone within our community to work and live sustainably, recognising the importance of our time, energy and resilience	Business travel emissions – tCO2e	 Restricted due to pandemic
Commitment 20: We will generate resources for investment in education and research year on year, so that we can continue to develop the people, ideas and actions that help us fulfil our purpose	Annual revenue growth and underlying surplus as a percentage of turnover	
Additional commitment: Composite league table metric	UK ranking in each of the five league tables monitored	

-  Significant progress
-  Some progress
-  Little or no change
-  Some regression
-  Significant regression

INCLUSIVE

Commitment 1:

We will care for the wellbeing, health and safety of our diverse community, supporting and developing our people to achieve their full potential.

KPI:

University Staff and Student Surveys (responses relating to wellbeing, health and safety).

2025 target:

90% of staff and students (aggregate responses) agree that the University cares about staff and student wellbeing.

Progress:

Student and Staff Surveys were carried out in autumn 2020 to understand the key challenges to the wellbeing, health and safety of the University community. All Schools and Directorates have developed plans in response to the survey results, and a Workload Review Group has overseen a number of actions to address staff workload. The Health, Safety & Wellbeing Team and the Student Experience team have developed new wellbeing policies for staff and students, and are implementing comprehensive action plans to drive further improvements.

Performance against target:

The Student and Staff Surveys in 2020 will be used as a baseline driving future strategies in this area. The Student Survey will be run again in November 2021 and the Staff Survey in 2022, when an update on performance will be available.

Commitment 3:

We will develop a research portfolio that promotes national and international collaboration with stakeholders, including companies, organisations and governments.

KPI:

Value of research grants awarded with external (non-HEI) partners (e.g. industry, NGOs, government partners).

2025 target:

Our aim is that by 2025, 70% of our awards will be from non-university partners.

Progress:

To encourage collaborative research with national and international partners, activities of the University's Grants Academy are undergoing an expansion. Interim directors have been appointed for the University's interdisciplinary themes and advisory groups are to be set up with external representation. A pump-prime fund has been

established to incentivise and support innovation which is focused on industry engagement and economic recovery.

● Performance against target:

Excellent progress has been made and, in 2020/21, 69% of awards were awarded with non-university partners; an increase of five percentage points from the previous year.

Commitment 4:

We will secure the highest standards of equality, diversity and inclusion, achieving accreditation across multiple strands and characteristics.

KPI:

High quality accreditations of inclusiveness (Race Equality Charter, Athena Swan Charter, Stonewall and University of Sanctuary).

2025 target:

By 2025, the University will have achieved a Race Equality Charter Bronze Award; All Schools will have applied for Athena Swan Silver Award, and the University will have been awarded a Stonewall Workplace Equality Index (WEI) Bronze Award, and a University of Sanctuary status.

Progress:

Through commitments made in Aberdeen 2040 the University strives to create a diverse, inclusive and caring environment for all students and staff, recognising the impact of intersectionality.

A Race Equality Strategy Group (RESG) has been established to deliver and implement a bold anti-racism strategy, driven by our recent race listening activities. Race Equality Champions have been appointed across Schools and Directorates to embed good practice in race equality and race literacy training has been delivered. Work is underway to consider how the curriculum can be reviewed and modified to reflect broader perspectives and the contributions of people from a range of backgrounds. We have established a Race Equality Network for staff and PG students and our Black History Month events have been extensive and successful, inspiring open and honest conversations on race.

We have progressed our work on gender equality, particularly in relation to supporting parents and carers through the pandemic and working closely with the Parents and Carers Network. We submitted an institutional Athena Swan Bronze renewal application and are awaiting the final outcome. We were delighted that the School of Psychology achieved a Silver Athena Swan award and that all other Schools hold Bronze awards.

The University recognises that its data indicates a low representation of disabled staff, although this has been improving annually. We are signatories to the Disability Confident scheme and continue to operate an opt-in 'guaranteed interview scheme' for disabled candidates. Our thriving Disability Network Group is a strong, safe, source of support for disabled staff and we are making progress with our British Sign Language Action Plan. Disabled students have access to expert advisers through the Student Advice and Support Team. Mental health conditions continue to represent a significant proportion of disability reported. Disability History Month has been celebrated in the University, with the showcasing of achievements and contributions of disabled people.

We have established a working group to drive the University's application to become a University of Sanctuary.

● Performance against target:
Good progress has been made. The University has been a member of the Race Equality Charter since 2019 and plans to submit an application for a Bronze award by February 2023. The University has recently submitted an application for renewing its institutional Bronze Athena Swan Award and, while one School has achieved a Silver Award, a further four Silver applications are in preparation. The University submitted an application for a Bronze award in the Stonewall WEI in October 2021. Preparations have commenced to support an application for a University of Sanctuary status.

INTERDISCIPLINARY

Commitment 9:
We will listen to and work with external stakeholders regionally and globally to build partnerships that deliver imaginative solutions to societal and industrial challenges.

KPI:
Times Higher Education Impact Rankings.

2025 target:
The University will rank Top 40 in the world and Top 10 in the UK.

Progress:
The University has established a pump-prime fund to support grant applications addressing global and societal challenges. The Grants Academy is actively promoting academic collaboration with national and international collaborators, and an ODA (Official Development Assistance) compliant pump priming programme has been put in place which

facilitates the co-creation of projects with external organisations from the DAC (Development Assistance Committee) list.

● Performance against target:
The University has made very good progress in this area. In the Times Higher Education Impact Rankings published in 2021 the University improved its global rank by 16 places to 57th in the world, and now ranks 12th in the UK.

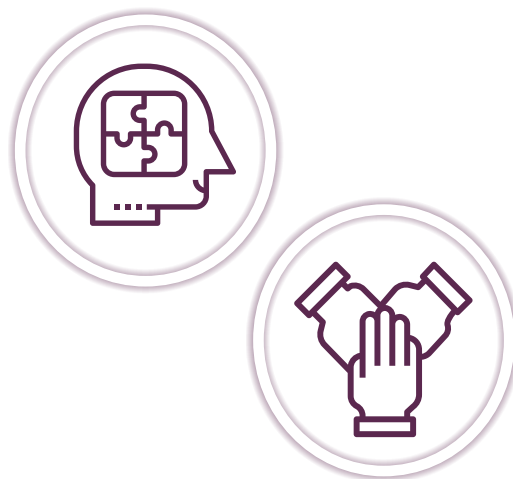
Commitment 10:
We will develop our digital systems and enhance our buildings to create virtual and physical spaces that enable interdisciplinary exchange and innovation.

KPI:
University Student and Staff Surveys (responses relating to virtual and physical spaces).

2025 target:
80% of staff and students (aggregate responses) agree that the University's virtual and physical spaces enable interdisciplinary exchange and innovation.

Progress:
Plans are in place to optimise the deployment and use of digital systems to facilitate interdisciplinary working. A virtual Interdisciplinary Hub will be launched in October 2021 which will bring together the five interdisciplinary challenges using digital technology. Work is also underway to establish a hub for the physical co-location of the Directors of our five interdisciplinary challenges.

Performance against target:
The Student and Staff Surveys in 2020 will be used as a baseline driving future strategies in this area. The Student Survey will be run again in November 2021 and the Staff Survey in 2022, when an update on performance will be available.



INTERNATIONAL

Commitment 11:

We will provide an international education to learners from all around the world, becoming a more diverse and multicultural community.

KPI 1:

The size and proportion of the international student population.

2025 target:

25% of the total student population will be international students.

KPI 2:

Diversity in the country of origin for the international population.

2025 target:

We will rank 50th in the UK for the diversity of the non-UK student population (using HESA data).

Progress:

The University is proud of its international reputation and is committed to increasing its reach across borders. In spite of the challenges posed by Covid-19, strategies are in place to increase further recruitment from new and established markets. Steps are also being taken to diversify our international population through international partnerships and expanding our scholarship offering, including scholarships to EU students to mitigate the negative impacts that Brexit has had on student recruitment.

● Performance against target:

KPI 1:

The pandemic had a significant impact on international recruitment in the UK in 2020/21 and growth was therefore not in line with plans. However, in spite of very challenging circumstances, some progress was made, with the proportion of our international population increasing from 21.8% to 21.9%.

KPI 2:

In 2019/20 the University ranked 79th in the UK for diversity in the international population which will be used as baseline, but data for 2020/21 will not be available until 2022.



Commitment 12:

We will equip our graduates for global employment through our curriculum and teaching methods.

KPI:

Graduate Outcomes Survey: University UK rank for graduates in graduate level employment or further study.

2025 target:

The University will rank Top 25 in the UK (in the Times & Sunday Times Good University Guide) for the proportion of graduates who entered graduate level employment or further study within 15 months of completing their studies.

Progress:

Employability provision is being enhanced throughout the student learner journey. All Schools are developing careers and employability action plans and institutional activities are coordinated by an Employability and Entrepreneurship Committee and the University Education Committee.

● Performance against target:

Good progress has been made and the University achieved a rank of 31st in the UK in the Times and Sunday Times Good University Guide 2022 published in September 2021; a rise of five places.

SUSTAINABLE

Commitment 16:

We will encourage everyone within our community to work and live sustainably, recognising the importance of our time, energy and resilience.

KPI:

Business Travel Emissions – tCO2e.

2025 target:

40% reduction in business travel emissions from the 2018/19 baseline.

Progress:

Communication plans in all areas relating to sustainability are under development; a communication plan was developed earlier in the year for COP26 and annual reporting on engagement with the United Nations' Sustainable Development Goals (SDGs) is in place. In the next year, priority will be given to the development of a Business Travel Policy and the embedding of sustainability responsibilities into staff contracts.

● **Performance against target:**

With staff travel severely restricted due to the pandemic, emissions from travel reduced significantly in 2020/21. While the restrictions make meaningful comparison with pre-pandemic years impossible, the University has established a Business Travel Working Group remitted to make recommendations on a new Business Travel Policy in 2022. It is our intention to avoid business travel return to pre-pandemic levels.

Commitment 20:

We will generate resources for investment in education and research year on year, so that we can continue to develop the people, ideas and actions that help us fulfil our purpose.

KPI:

Annual revenue growth and underlying surplus as a percentage of turnover.

2025 target:

To meet or exceed revenue growth and operating surplus performance of our benchmark group.

Progress:

The pandemic presented unforeseen challenges to the sustainability of the university sector in 2020/21. The University of Aberdeen prioritised activities aimed at maximising income generation opportunities and as a result student fee income increased significantly on the previous year. Cost control measures were applied in the early part of the academic year and cash reserves were managed stringently.

● **Performance against target:**

Good progress has been made with a 0.9% revenue growth on 2019/20 and underlying surplus equating to 3.7% of turnover. Sector benchmarking data will not be available until next year.

League table performance:

KPI:

UK ranking in five league tables (Times & Sunday Times Good University Guide, Complete University Guide (CUG), Guardian University Guide, QS World University Rankings and Times Higher Education World University Rankings (THE)).

2025 target:

Consistently achieve a top 25 ranking in the UK in each of the five rankings.

Progress:

A strategy is in place to raise awareness and understanding of league tables across the University, and Internal data provision is being enhanced to support proactive monitoring and management of performance in national and global rankings. Enhancements strategies are discussed regularly across the University.

● **Performance against target:**

Good progress has been made in 2020/21 and the University has ranked within the top 25 in three rankings compared to two in 2019/20 (Guardian, Times & Sunday Times and Times Higher Education) and also ranks top 20 in the UK in the first two. The University continues to rank 28th in the UK in the QS and saw a fall in rank in only one ranking, with a drop from 26th to 38th place in the Complete University Guide in spring 2021.

From 2021 onwards

all 20 COMMITMENTS

will be monitored as part of a 5-year implementation plan to 2025.



Sustainability Report

In February 2020, we launched Aberdeen 2040, establishing sustainability as a core element of the University's long-term strategy. Alongside a headline commitment to becoming a Net-Zero institution before 2040, Aberdeen 2040 also acknowledges the importance of engaging and enthusing our staff and student communities to be leaders in protecting the environment.

SUSTAINABLE DEVELOPMENT GOALS

The United Nations' Sustainable Development Goals (SDGs) also emerged through consultation as a key mechanism against which to articulate our academic and operational contribution to addressing complex societal challenges. We have therefore signed the global SDG Accord, reporting on progress in 2020 and 2021, and joined the associated Race to Zero.

In 2021, our impact against the SDGs was assessed for the third time via the latest Times Higher Education's 'Impact' Rankings. A global position of 57th out of 1,115 institutions, saw notable performances in SDG 17 "Partnership for the Goals" and SDG 11 "Sustainable Cities" where we placed 27th globally for both.





The University ranked 12th in the UK overall and was in the UK top 10 for 11 of the 17 SDGs, and top in Scotland in six. An indicator of the breadth and depth of the University's impact is that we were ranked in the top 20 in the UK across all 17 SDGs.

In governance terms, the establishment of a Sustainable Development Committee, chaired by the Senior Vice-Principal, has provided a key forum in which academic staff, students, and professional services now come together to progress the University's sustainability agenda. Post-pandemic, 2021/22 will see a renewed focus on the development of detailed implementation plans in respect of our Aberdeen 2040 sustainability agenda. The University continues to report comprehensively on its emissions and climate change performance through the Public Bodies Climate Change Duties (PBCCD) framework. We welcome the emergence of mechanisms to enhance and harmonise the approach of public bodies to reporting, in particular through the recognition of the shared challenge in managing indirect (Scope 3) emissions.

We also play an active part in sector networks, working collaboratively to share and learn from best practice, in particular through the Environmental Association for Universities and Colleges (EAUC). 2020/21 has also seen colleagues contribute to sector developments in procurement and supply chain challenges through Advanced Procurement for Universities and Colleges (APUC) and as part of Universities Scotland working groups in areas such as business travel.

Although emissions data for 2020/21 is inevitably skewed by the impact of the pandemic, they highlight one particular outcome of online working – a significant reduction in business travel emission levels. With almost all work conducted online for

over 18 months, the challenge will be to prevent a return to pre-pandemic travel emission levels. We will introduce a new policy framework in this area in 2021/22 to assist colleagues in prioritising and reducing travel impacts.

In line with many workplaces, a policy shift to facilitate home-working has been introduced for 2021/22 that will result in an increase in hybrid working patterns. The inclusion of a mandated 'home-working' category in this year's PBCCD report is, however, a reminder of the need for all institutions to think holistically about their emissions and to adopt a more comprehensive approach to their Scope 3 emissions. This will be one of our main challenges in the coming years.

Operationally, 2021 marks the final year of our 2016/21 Carbon Management Plan. The plan set out to achieve a 20% reduction in the basket of emissions categories considered in scope; a target that was exceeded early, with a reduction of 34% recorded by the end of 2019/20.

Our immediate priority duplicate remains the reduction of emissions associated with energy use and we are in the process of transitioning from a series of rolling five-year Carbon Management Plans to a longer-term, net-zero strategy. Alongside continued efforts to reduce emissions through improvements in how we manage energy use, improved efficiency, and reduced demand, we will press ahead with strategic discussion with regional partners about issues such as the decarbonisation of heat and collaborative approaches to heat networks. Although at an exploratory stage, we are encouraged by the emergence of a real desire to pursue collective solutions to the major challenges of tackling the ageing heating infrastructure at both our campuses, with the latter being supported by loan funding from the Scottish Funding Council.



In 2021/22 we have allocated initial resources to Net-Zero Carbon Works to support energy initiatives and associated feasibility. We will continue to review the level of financial support required to deliver our net-zero commitments.

In the coming year we will also review our operational support for sustainability, with the establishment of a dedicated unit to take forward the commitments in Aberdeen 2040 and to provide impetus for the wider staff and student engagement and behavioural change initiatives we recognise are required.

Academically, our Centre for Energy Transition was formally launched in May 2021, with the identification of key research areas and academic champions across a range of related disciplines. The Centre aims to facilitate a genuine interdisciplinary effort across research and collaborations. This includes co-ordinating collaborative funding bids; offering courses on the fundamentals of energy transition; working with partners on skills development; and collaborating with international colleagues, for example through the development of interdisciplinary research as part of the Aberdeen-Curtin Alliance.



STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL



The University of Aberdeen is committed to the highest standards of corporate governance relevant to the higher education sector. This summary describes the manner in which the University has applied the principles set out in the 2017 Scottish Code of Good Higher Education Governance. In the opinion of Court, the University complied with the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance throughout the year.

Constitution, Governance and Regulation

The University was established by Papal Bull on 10 February 1495 and is one of the four Scottish Ancients. The University Court of the University of Aberdeen is a body corporate with perpetual succession and a common seal. The University derives its status, powers and framework of governance from the Universities (Scotland) Acts 1858 - 1966 and by the Ordinances, made under these Acts, and Resolutions of Court. In addition, Court is subject to the requirements of the Higher Education Governance (Scotland) Act 2016. Court is the executive governing body of the University and is responsible for its mission and strategic direction, administrative arrangements, financial health, wellbeing of staff and students and, in association with the Senate, for establishing and maintaining high standards of academic conduct and probity.

The Universities (Scotland) Acts define the powers of the Court, the Senate and the General Council, each of which has clear functions and responsibilities within the governance and management of the University's business. Court is charged with the administration and management of the revenue and property of the University, and has the power to review any decision of the Senate on appeal. It is responsible for the University's system of internal control and for reviewing its effectiveness. The Senate, which consists of ex officio and elected academic staff and students, is responsible for the regulation and superintendence of teaching and student discipline and for promoting research. The General Council was established by the Universities (Scotland) Act 1858 with the right to take into consideration questions affecting the well-being and prosperity of the University. Graduates of the University and certain categories of University staff are automatically members of the General Council.

The University is an exempt charity by virtue of the Charities and Trustee Investment (Scotland) Act 2005, and is registered with the Office of the Scottish Charity Regulator under number SC013683.

The charitable aims of the University as registered with the regulator are: the advancement of higher education, of health, of citizenship or community

development, and the advancement of the arts, heritage, culture or science.

The University is regulated principally by the Scottish Funding Council under a Financial Memorandum. The University complies with conditions of the grant set out in the funding arrangements. The Scottish Funding Council has developed Outcome Agreements with each university to ensure that institutions are working in support of the Scottish Government's priorities. The University is required to report regularly on its performance against agreed outcomes, to ensure that it continues to meet conditions of grant.

Governing Body

In accordance with the provisions of the Universities (Scotland) Acts and the Higher Education Governance (Scotland) Act, the composition of Court is set out by Ordinance.

Court consists of 25 members and has a majority of independent members as recommended by the Scottish Code of Good HE Governance. The membership of Court is listed on page 25. Court has adopted a Statement of Primary Responsibilities and routinely undertakes a wide-ranging review of its effectiveness against sector guidance.

The Rector is elected by the student body and under statute is the ordinary president of Court. During the financial year 2020/21, the then Rector, up to concluding her period of appointment on 31 March 2021, chose to exercise the right to preside by chairing Court. The position of Rector has been vacant since 1 April 2021 pending the receipt of nominations, with elections scheduled for November 2021. The Senior Governor is elected by staff and students (as required by the Higher Education Governance (Scotland) Act 2016) and is recognised as being responsible for the leadership and effectiveness of Court. As such, the Senior Governor performs the wider role of Chair in all respects bar those assigned by statute to the Rector. Accordingly, the Senior Governor represents the University at meetings of the Committee of Scottish Chairs and internally acts as the leading Governor in matters of governance. The role of the Senior Governor in this regard is recognised by the Scottish Funding Council, and Court has adopted a Rector's Protocol to define the respective roles of Rector and Senior Governor. The Court reviewed and updated the protocol in September 2021.

The University maintains a Register of Interests of members of Court and of members of senior management, which is available on the University's website. In addition, individuals are routinely asked to declare any interest in relation to a Court

and committee agenda item and any significant change to the external commitments of the Senior Governor would be reported to the Governance and Nominations Committee.

Members of Court are invited and encouraged at regular intervals to participate in governor development events organised both internally and through relevant sector organisations.

Externally Facilitated Review of Governance

As detailed in the 2020 Annual Report, the Court has undertaken and completed internal reviews in response to the SFC and OSCR reports. In addition, and as required by the SFC, Court commissioned an externally-facilitated review of University governance procedures and culture. This was undertaken by Advance HE and completed in September 2021. Court has adopted the review's developmental recommendations and will implement refinements to sub-committee and joint committee remits over the next year as well as enhancing induction arrangements.

Corporate Strategy

Court is responsible for approving the University's Strategic Plan and monitoring progress on the delivery of the Plan's strategic objectives. The Financial Review on page 33 reports on the University's financial performance during 2020/21, and progress against strategic targets is provided on page 7.

Key Committees of Court and Operation under Covid-19

Court meets at least four times each year, but much of its work is addressed in the first instance by its principal sub-committees, in particular, the Policy and Resources Committee, the Audit and Risk Committee, the Governance and Nominations Committee, and the Remuneration Committee, all of which report solely to it. There are three further sub-committees which report jointly to both Court and the Senate being: the Student Experience Committee, Research Policy Committee and the Education Committee. During the period of the pandemic, Court and these committees have continued to meet 'remotely' without significant disruption to their business. No significant changes to the governance framework have been required.

All of the Court's sub-committees are formally constituted with terms of reference available on the University website and the key committees are chaired by independent members of Court. The membership of Court's principal sub-committees during 2020/21 is listed on page 25. Where appropriate, these committees have delegated authority from Court to take decisions on certain matters and major decisions are formally reported to Court. Similarly, when Court delegates powers

to individuals to take decisions between meetings, such decisions are formally reported to Court.

The Policy and Resources Committee has a wide-ranging remit spanning finance, capital and estates, staffing, policies, health and safety, equality and diversity, digital strategy, student recruitment, commercialisation of research, and internationalisation. The Committee inter alia recommends to Court the University's annual revenue and capital budgets. It monitors performance in relation to the approved budgets and the implementation of strategies agreed by Court. The Committee is chaired by an independent member of Court. It has nine members composed of: four independent members of Court; two non-executive staff members of Court; a Students' Association nominated member of Court; the Senior Vice-Principal and the Principal.

The Governance and Nominations Committee has a standing role to advise Court on matters of governance and to conduct, on its behalf, reviews of the University's governance. The Committee undertakes a review of effectiveness annually through benchmarking against the Scottish Code of Good Higher Education Governance. The Committee also has responsibility for considering nominations for vacancies in Court membership and vacancies in the membership of Court sub-committees.

The Committee has a majority of independent members. In 2020/21 it was not chaired by the Senior Governor but by another independent member of Court. The Committee is cognisant of the need for Court to have in its membership an appropriate mix of skills, experience and diversity. Court has adopted a Statement of Intent on Diversity within its membership, which includes a goal of 50:50 gender balance. At 31 July 2021, Court had 11 members who identified as female, 12 who identified as male and 2 vacancies. The appointed independent membership was gender balanced subject to there being one vacancy.

The Remuneration Committee determines the remuneration and conditions of service of senior staff, including the Principal. The Committee is chaired by an independent member of Court. It has a majority of independent members but also includes two non-executive staff members of Court and the President of the Students' Association. Where appropriate, the Committee obtains further independent advice. It meets at least twice annually and reports to Court at least once a year.

The pay policy for senior staff is agreed by the Remuneration Committee and subsequently approved at Court. Following approval, the details of the policy are issued to all senior staff including the process for application for a salary uplift. In

In addition to the nationally agreed pay award, the Committee normally set a budget of £0.1m for discretionary pay awards. However for 2021, due to the financial constraints in 2020 and there being no discretionary award exercise for senior staff, the Committee have set a budget of £0.2m for consideration of exceptional performance and a further £0.2m to address matters relating to the gender pay gap. The Remuneration Committee reviews and approves the salaries for new members of the Senior Management Team (SMT), taking into consideration national benchmark information provided by UCEA (Universities & Colleges Employers Association) and also the experience demonstrated in the application/CV of the successful candidate. The Remuneration Committee also gives consideration to any cases presented for retention of staff where appropriate. In addition, where appropriate, and consistent with the Severance Policy, the Remuneration Committee will consider severance payments for senior staff.

Audit, Risk Management and Internal Control

The Audit and Risk Committee has a lay membership which includes members with directly relevant experience. It meets a minimum of five times a year, with the University's internal and external auditors in attendance at all meetings. It makes recommendations to the Court regarding the approval of the Annual Report and Financial Statements.

The Audit and Risk Committee oversees and reports to Court its view of the effectiveness of the University's risk management arrangements, the operation of which is overseen by the Senior Management Team but with Risk being a regular item on the Audit and Risk Committee agenda.

The University reports to Court via SMT and Audit and Risk Committee on its risk management arrangements on a bi-annual basis in accordance with its Risk Management Framework. This includes consideration of all risks included in the Strategic Risk Register, with a particular focus on those which exceed their tolerance threshold. This process aligns with the internal control guidance for directors in the UK Corporate Code.

The Risk Management section on page 29 provides more detailed information on the University's risk management arrangements, including additional measures put in place to manage the Covid-19 pandemic and the impact of Britain's exit from the European Union. Specific Covid-19 risk identification and mitigation has dominated this year's Risk Management activity.

The Audit and Risk Committee considers detailed reports from the internal and external auditors, together with recommendations for

the improvement of the University's systems of internal control and risk management, alongside University management's responses and implementation plans. The Audit and Risk Committee's role is one of high level review of the arrangements for internal control, risk management and value for money. It has authority to investigate any matters within its terms of reference. It also receives and considers reports from the Scottish Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. While senior executives attend meetings of the Audit Committee, as necessary, they are not members of the Committee. The Committee regularly receives presentations on a key area of University business or developments in higher education policy or relevant legislation.

The University fully endorses the provisions of the Scottish Funding Council's Financial Memorandum.

The University retains an external firm of Internal Auditors appointed at least every five years through a competitive tendering process. The University undertook such a tendering process during 2018/19 as a result of which it reappointed its previous firm of Internal Auditors with effect from 1 August 2019, for a period of three years, with the option to renew for two further one year periods. The University Court receives, on an annual basis, a report on internal audit activity, including an independent assessment of the adequacy and effectiveness of the University's systems of internal control, including risk management and financial control. For the year to 31 July 2021, the internal audit report concluded that the University's systems were generally satisfactory with some improvements required. An area for enhancement, recognising successful continuity implementation during the pandemic, is the development of a good practice overarching continuity framework to further improve capability.

The University is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the Nine Principles of Public Life in Scotland. In addition, the University provides guidance in relation to bribery, corruption, fraud and anti-money laundering activities, which governing body members and members of staff at all levels are expected to observe.

The University recognises through its Policy and Procedure on Public Interest Disclosure (Whistleblowing) that the raising of legitimate concerns by staff, students, members of Court or the general public and which are in the interests of the University, its staff or students, or of

the general public, is a practice which should be encouraged. The Policy and Procedure were reviewed and updated in December 2020 and the Audit and Risk Committee has a formal role in overseeing the policy and to receive reports from management on cases.

Trade Union Facility Time Reporting for the period April 2020 to March 2021

Background

The University recognises the following unions: University and College Union (UCU), Unison, Unite and Prospect.

Union representatives have a statutory right to reasonable time off for trade union duties and for trade union activities; however, there is no statutory right for the time off for activities to be paid (only union duties attract reasonable paid time off). The University has a Partnership Working and Recognition Agreement which sets out the formal framework of the partnership approach and details the arrangements for consultation and facility time. Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative.

As required under Section 13 of the Trade Union Act 2016 and The Trade Union (Facility Time Publication Requirements) Regulations 2017, the annual data on the number of hours and cost of facility time within the University is detailed below:

Table 1: Trade union representatives and full-time equivalents (Number of employees who were union representatives during the period)

	2021	2020
Trade union representatives (No.)	12.0	12.0
Trade union representatives (FTE)	11.6	12.0

Table 2: Percentage of union representatives working hours spent on facility time

Percentage of Working Hours	2021	2020
0%	-	-
1 to 50%	12.0	12.0
51 to 99%	-	-
100%	-	-

Table 3: Total pay bill and facility time costs from April 2020 to March 2021

	2021	2020
Total pay bill	£139.7m	£117.9m
Total cost of facility time	£49k	£32k
% of pay bill spent on facility time	0.04%	0.03%

Table 4: Paid trade union activities

	2021	2020
Hours spent on paid facility time	1,817	1,569
Hours spent on paid TU activities	-	-
% of total paid facility time hours spent on paid TU activities	0.00%	0.00%

Senior Officers

The Principal, who is a member of Court ex officio, has responsibility for implementing the decisions of Court, for initiating discussion and consultation on the University's future development and for ensuring that appropriate proposals are presented to the governing body. As the Designated Officer of the University under the terms of the Financial Memorandum between the University and the Scottish Funding Council, the Principal is responsible for ensuring that Court takes cognisance of the terms of the Financial Memorandum in all its decision making.

The Secretary is the principal officer of Court and is responsible for ensuring that Court acts within its powers and follows proper procedures. The Secretary provides independent advice to Court members about their individual and collective responsibilities and how they should be discharged.

Going Concern

The University's activities and the factors likely to affect its future development, performance and position are set out in the Financial Review. Its cash flows and liquidity are set out in more detail in the Notes to the Financial Statements.

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

Conclusion

Overall, Court is of the view that it has in place a robust set of governance arrangements and procedures to fulfil its responsibilities.



Julie Ashworth

Senior Governor of the University Court
23 November 2021



STATEMENT
OF PRIMARY
RESPONSIBILITIES
OF COURT

Court adopted a Statement of Primary Responsibilities which was in operation during 2020/21. Court's primary responsibilities are:

Strategic Direction

1. To approve the mission and strategic vision of the University, including institutional and longer-term academic and business plans, and key performance indicators, and to ensure that they are consistent with the University's charitable purpose and meet the interests of stakeholders, including students, staff, alumni, local and national communities and funding bodies.
2. To safeguard the good name and values of the University, its charitable status and purposes.

Supervisory Obligations

3. To delegate to the Principal, as chief executive, authority for the academic, corporate, financial, estate and human resource management of the University, and to establish and monitor such management functions as shall be undertaken by and under the authority of the Principal.
4. To ensure the quality of educational provision through the review of decisions of the Senate made under its statutory powers to regulate and superintend the teaching and discipline of the University and to promote research.

Corporate Responsibilities

5. To be the University's legal authority and, as such, to ensure that systems are in place for meeting the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
6. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University, which is not within the control of the University of Aberdeen Development Trust.

7. To ensure that the University's constitution, as enacted in the Acts, Ordinances and Resolutions affecting the University 1858-1990 and subsequent legislation, is followed and that appropriate advice is available to enable this to happen.
8. To be the employing authority for all staff in the University.
9. To ensure that the University behaves ethically, responsibly and with respect for the environment and for society at large.

Controls, Accountability and Effectiveness

10. To be the principal financial and business authority of the University, to ensure that proper accounts and financial records are kept, to approve the annual budget and financial statements, to ensure adherence to the funding requirements specified by the Scottish Funding Council, and to have overall responsibility for the University's assets, property and estate and their use.
11. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment and management, so as to maintain the solvency of the University and safeguard its assets.
12. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the University against approved plans and key performance indicators, which should be benchmarked against other comparable institutions, wherever possible.

13. To ensure that arrangements are in place to promote the proper management of the health, safety and security of students, staff and others affected by the University.
14. To provide institutional leadership in equality and diversity and to ensure there are appropriate policies and procedures to support a culture in which all staff and students can thrive across the University and which meet relevant legislative and regulatory requirements.
15. To make provision, in consultation with the Senate, for the general welfare of students.
16. To ensure that procedures are in place for dealing with internal grievances, conflicts of interest and public interest disclosure.
17. To establish processes to monitor and evaluate the performance and effectiveness of the University Court and its sub-committees and to ensure that business is conducted in as open a manner as possible, in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
18. To ensure, through the appointment of co-opted lay persons, a balance of skills and experience amongst the membership of Court to meet its primary responsibilities.

Monitoring of Senior Executives

19. To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
20. To appoint the Secretary to Court and to ensure that there is an appropriate separation in the lines of accountability between responsibilities to Court and managerial responsibilities within the University.

Responsibility for financial matters

Court is responsible for keeping proper accounting records, which disclose, with reasonable accuracy, the financial position of the University at any time and enable it to ensure that the financial statements are prepared in accordance with the Statutes, the 2019 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and other relevant accounting standards, including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of the University of Aberdeen, 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, total comprehensive income and expenditure and cash flows for that year.

When preparing the Group and parent University financial statements, Court is required to:

- ensure suitable accounting policies are selected and applied consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Group or the parent University, or to cease operations, or have no realistic alternative but to do so.

Court is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error.

Court has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Scottish Funding Council and any other conditions which the Scottish Funding Council may from time to time prescribe;
- ensure that any other funds, from whatever source, administered by the Group or the University for specific purposes, have been properly applied to those purposes in accordance with relevant legislation and any other terms and conditions attached to them;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and hence take reasonable steps to prevent and detect fraud; and
- secure the economical, efficient and effective management of the University's resources and expenditure.

As agreed by Court 23 March 2021

MEMBERSHIP OF COURT AND KEY COMMITTEES



UNIVERSITY COURT MEMBERSHIP:**Rector**

Ms M Chapman (to 31.03.21)

Principal

Professor G Boyne

Senior Governor

Ms E Roberton (to 31.12.20)

Professor N Booth (Interim Senior Governor from 01.01.21 to 30.06.21)

Ms J Ashworth (from 01.07.21)

Assessors: Senatus

Professor J Schaper

Dr D Skåtun

Mrs L Tibbetts

Professor N Vargesson

Elected Academic Staff Member

Dr M Mills

Elected Non-Academic Staff Member

Mrs J Fernandes (to 31.10.20)

Mr N Edwards (from 01.11.20)

Academic Trade Union Nominee

Dr D Watts (to 31.10.20)

Dr H Martin (from 01.11.20)

Non-Academic Trade Union Nominee

Mr O Cox (from 01.08.20)

President, Students' Association

Ms C Wallback (to 30.06.21)

Ms A Koester (from 01.07.21)

Second Students' Association Nominee

Mx L Henrard (to 30.06.21)

Mr C Torres-Barragán (from 01.07.21)

Independent Members

Mr K Anderson (from 01.08.20)

Dr C Backwell

Ms E Bentley

Professor N Booth* (to 30.10.21)

Mr C Duncan (to 17.08.20)

Mr D MacFarlane (to 31.07.21)

Mr I Mackay

Mr G McRae **

Ms L Menzies

Ms C Miller (from 31.10.21)

Ms A Minto

Mr I Percival

Ms Pope-Williams (from 01.09.21)

Mrs J Shirreffs (to 30.09.21)

Mr O Thoresen (from 01.10.21)

Mr R Traynham (from 01.10.21)

POLICY & RESOURCES COMMITTEE MEMBERSHIP

Ms A Minto (Chair)

Mr C Torres-Barragán (from 31.08.21)

Professor N Booth (to 30.10.21)

Mr O Cox (from 11.11.20) (As alternate to Mr N Edwards if unavailable)

Professor G Boyne

Mr N Edwards (from 11.11.20)

Professor K Leydecker

Mr G McRae

Ms L Menzies

Ms C Wallback (to 30.06.21)

Dr D Watts (to 31.10.20)

Professor N Vargesson

REMUNERATION COMMITTEE MEMBERSHIP:

Mr I Mackay (Interim Chair from 16.06.20 and Chair from 24.03.21)

Mr K Anderson (from 24.11.20 to 31.07.21)

Ms J Ashworth (from 01.07.21)

Professor N Booth (from 01.01.21 to 30.06.21 as Interim Senior Governor)

Mr O Cox (from 30.09.20)

Mr C Duncan (to 17.08.20)

Ms A Koester (from 01.07.21)

Dr H Martin (from 11.11.20) (As alternate to Mr Cox if unavailable)

Mr I Percival

Ms E Roberton (to 31.12.20)

Mrs L Tibbetts

Ms C Wallback (to 30.06.21)

GOVERNANCE AND NOMINATIONS COMMITTEE MEMBERSHIP:

Mr C Duncan (Chair to 17.08.20)

Ms E Bentley (Interim Chair from 21.08.20 to 29.09.21)

Ms J Ashworth (from 01.07.21 and Chair from 30.09.21)

Dr C Backwell (from 24.11.20)

Professor N Booth (from 01.01.21 to 30.06.21 as Interim Senior Governor)

Professor G Boyne

Mrs J Fernandes (to 31.10.20) (As alternate to Dr Mills if unavailable)

Ms A Koester (from 31.08.21)

Professor K Leydecker (As alternate to Professor Boyne if unavailable)

Mr G McRae (from 21.08.20 to 29.09.21)

Dr H Martin (from 11.11.20) (As alternate to Dr Mills if unavailable)

Dr M Mills

Ms E Roberton (to 31.12.20)

Professor J Schaper

Mrs J Shirreffs (to 30.09.21)

Ms C Wallback (to 30.06.21)

AUDIT AND RISK COMMITTEE MEMBERSHIP:

Mr D MacFarlane (Chair to 31.07.21)

Ms E Bentley (Chair from 01.08.21)

Mr K Anderson (from 01.08.21)

Ms L Macfarlan

Mrs M McNeill (to 18.09.21)

Mr P Milne

* Senior Independent Member from 30.09.20 to 31.12.20 and 01.07.21 to 30.10.21

** Interim Senior Independent Member from 01.01.21 to 30.06.21

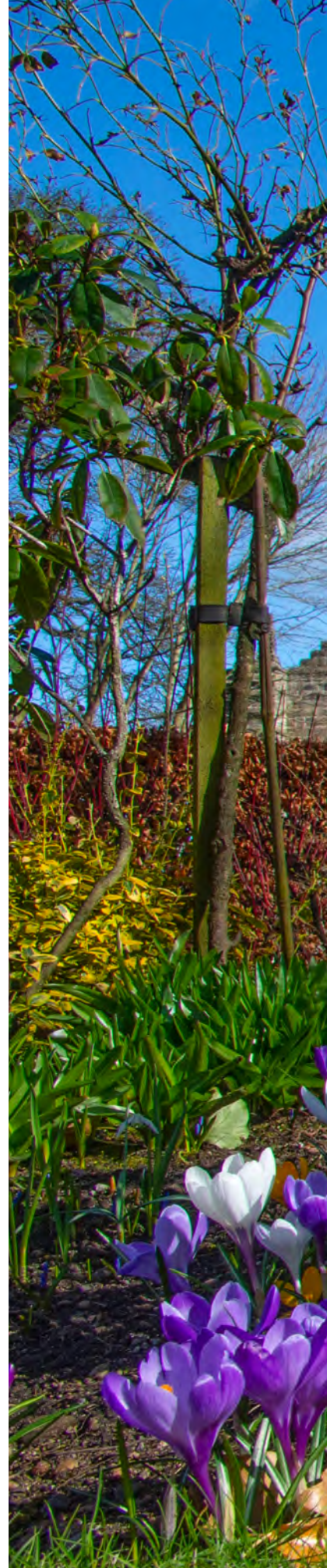
ATTENDANCE OF COURT AND AUDIT COMMITTEE MEMBERS AT UNIVERSITY COURT AND COMMITTEE MEETINGS FOR THE YEAR TO 31 JULY 2021

Member	University Court	Audit and Risk Committee	Policy & Resources Committee	Remuneration Committee	Governance and Nominations Committee
Ms M Chapman	5 of 5				
Professor G Boyne	6 of 6		6 of 6	1 of 2	6 of 6
Ms J Ashworth	N/A			1 of 1	N/A
Ms E Robertson	3 of 3				2 of 2†
Dr M Mills	5 of 6				6 of 6
Mr N Edwards	4 of 4		4 of 4		
Mrs J Fernandes	2 of 2				
Dr H Martin	4 of 4				
Mr O Cox	6 of 6			1 of 2	
Dr D Watts	2 of 2		2 of 2		
Professor J Schaper	6 of 6				5 of 6
Dr D Skåtun	6 of 6				1 of 1
Ms L Tibbetts	6 of 6			2 of 2	
Professor N Vargesson	6 of 6		6 of 6		
Mx L Henrad	3 of 6				
Ms A Koester	N/A			1 of 1	
Mr C Torres-Barragán	N/A				
Ms C Wallback	6 of 6		6 of 6	0 of 1	4 of 6
Mr K Anderson	4 of 6			2 of 2	
Dr C Backwell	4 of 6				2 of 3
Ms E Bentley	6 of 6	6 of 6			6 of 6
Professor N Booth	6 of 6		6 of 6	1 of 2	5 of 6*
Mr C Duncan	N/A				
Mr D MacFarlane	6 of 6	6 of 6			
Mr I Mackay	3 of 6			2 of 2	
Mr G McRae	4 of 6		6 of 6		4 of 6
Ms L Menzies	5 of 6		6 of 6		
Mrs A Minto	6 of 6		6 of 6		
Mr I Percival	5 of 6			1 of 2	
Mrs J Shirreffs	6 of 6				6 of 6
Ms L Macfarlan		4 of 6			
Mrs M McNeill		6 of 6			
Mr P Milne		5 of 6			

*Including where in attendance as Senior Independent Member or as a member as Interim Senior Governor.

† being those meetings eligible to attend as Senior Governor

N/A denotes where no meetings took place that the individual could have attended during the period of their membership.







Risk Management at Aberdeen

Risk Management Processes

Risk Management Structures

RISK MANAGEMENT

RISK MANAGEMENT

Risk Management Statement

The management of risk at the University takes place under its Risk Management Framework, which is based on internationally recognised standards in risk management, widely accepted as best practice. The Risk Management Framework forms part of a wider institutional corporate governance structure and includes an institutional risk management policy, a detailed risk management process which prescribes methods for risk identification, monitoring and control, and also arrangements for assurance. The Framework applies at University level, to Schools, Professional Services and to capital projects, where it is a key tool used in line with the University's Project Management Methodology.

Following the publication of Aberdeen 2040 in 2020, the University undertook a detailed review of its long-term risk management arrangements, including a review of the Risk Management Framework and the composition of the Strategic Risk Register. This was to ensure that the University's arrangements continued to reflect best practice, that all risks identified at a strategic level remained relevant, and that both threats and opportunities arising from the new strategy were identified, documented, understood, monitored and managed. While the review was delayed due to Covid-19, it was completed in summer 2021, and a new Framework is now in place. As part of this, a new Strategic Risk Register (SRR) has also been established, reflecting both the strategic priorities mapped out in Aberdeen 2040, and the wider strategic risks faced by the University from across the sector-wide environment. The new SRR is comprised of 14 key risk areas, and within each of these areas, a number of stand-alone risks. A short description of each risk area is given in the table overleaf:

Strategic Risks
and Risk
Appetite



STRATEGIC RISK AREA	RISK DESCRIPTION	RISK MANAGEMENT
Financial Sustainability	The University faces a range of significant risks on an ongoing basis that have the potential to adversely affect long-term financial sustainability. These include risks arising from key factors like SFC funding decline, rising pension contributions, Brexit and Covid-19. The pandemic presented additional threats to student and tuition fee income.	Key financial risks are closely managed. In response to Covid, steps were taken to manage spend in all areas, including staff recruitment, operational costs and capital projects. The University participated in the furlough scheme. Efforts to minimise the impact on student recruitment were also made, in particular through providing more distance learning opportunities.
Estates and Facilities	The University faces risks over the maintenance and utilisation of the estate, and the potential for income generation, all significantly enhanced by the pandemic and prolonged closure. There are also significant risks associated with the two major capital projects to redevelop parts of King's College campus, which are in progress.	The University has proactively managed risks relating to the estate. With the gradual return of the community to campus, utilisation rates have risen, and income plans have been adjusted where needed to reflect changing expectations. Major capital projects have also now recommenced, with more certainty going forward.
Student Recruitment (UG, PGT and PGR)	Failure to meet student number targets presents financial and reputational risks to the University. While risks arising from Brexit have been closely monitored and mitigated in recent years, the pandemic also created significant threats to recruitment and financial sustainability, which have also required enhanced focus.	Strategies are in place to manage the impacts of Brexit and Covid-19. Key mitigations have included adjusting recruitment and admissions processes to enable direct engagement with applicants, the University's PGT programme portfolio was expanded to facilitate more flexible entry and on-demand provision and the academic year has been adjusted.
Education (UG and PGT)	Threats posed by Covid-19 have presented major risks to the education delivery, the student experience, graduate employability, and the University's wider reputation. These apply to the entire student body, and potentially disproportionately to disadvantaged groups.	Aberdeen 2040 sets out ambitions relating to education and these are being taken forward. In mitigating the pandemic, measures were put in place to deliver education via distance or blended models, with specific support measures for disadvantaged groups. Hybrid teaching models remain, but with more on-campus teaching now taking place.
Research and PGRs	Covid-19 created extensive threats to the University's research agenda, including impacts on staffing, the ability to conduct research and the ability to attract research income. There have also been significant threats to PGR recruitment, retention and progression, and the ability to foster a supportive research environment.	The University has proactively managed its research activity during the pandemic, engaging with Covid-19 research calls and giving priority to new grant applications. Strategies are in place to support the research community, ensuring a supportive and enabling environment for staff and PGRs; the latter group additionally supported by the PGR School.
Digital Information Services	The HE sector faces increased risks in the area of data security and the pandemic has increased these threats further. While supporting blended learning remains a key priority, the financial measures taken to manage the impact on the University create risks to digital support and delivery of strategic digital projects across the University.	Mitigations have focused on close monitoring of IT security and threat intelligence. To manage financial constraints, non-essential activity has been scaled back with projects paused where needed, and resource reprioritised towards support to the student experience and income generation as the University focuses on recovery from the pandemic.
Staffing	The University's ability to attract and retain high-quality talent is fundamental to its strategic ambitions. During the pandemic, staff recruitment and retention presents acute risks in key areas, with a potential for further impact on operations, the delivery of teaching, and the ability to undertake research.	During lockdown, steps were taken to temporarily redeploy and upskill staff to address shortages in areas where it was required. As restrictions have been eased, investment has been made to recruit new staff, within both the academic and professional services functions. The new Homeworking Policy is also designed to support staff retention.
Health, Safety and Wellbeing of Staff and Students	The health, safety and wellbeing of staff and students underpins every University activity. Risks arising in this area became more acute with the impacts arising from Covid-19, and the transition to online or blended education delivery and home working and the subsequent re-integration of the community back to the physical campus environment.	An early decision was taken to close the campus in March 2020 to minimise the risk to staff and student health, safety, and wellbeing. Remote learning and working arrangements were established and mental health services optimised. With the gradual return to campus in 2021, a range of extra measures have also been taken to minimise risks to students and staff, and a new Homeworking Policy introduced to support more flexibility.
International Partnerships	The University's activities under its international agenda give rise to a range of significant risks. In particular, international partnerships present serious reputational and financial risks, heightened by the operational complexity required for successful delivery, and further exacerbated by curtails on international mobility.	The University is taking forward strategies to strengthen further its international outreach as part of Aberdeen 2040. Strategies are in place to minimise interruption caused by the pandemic to the University campus in Qatar and other existing partnership activity, through close dialogue with partners and online delivery of activity.

STRATEGIC RISK AREA	RISK DESCRIPTION	RISK MANAGEMENT
Reputation	Reputation is underpinned by performance, communications and marketing, and engagement. The University's ability to enhance its reputation at institutional and local levels through effectively bringing these key factors together, is paramount to its ability to meet its longer terms strategic ambitions.	During the pandemic, a comprehensive communication strategy was developed to keep staff, students, applicants, and other stakeholder groups informed about the University's response to the pandemic, and how it would affect them. Where possible, events were moved online and going forward, hybrid models will remain in place.
External Environment	The University must meet a range of obligations and challenges arising from the external environment meaning it must keep abreast of changes and different requirements affecting the sector at all times. This includes requirements relating to the Scottish Funding Council, funding and related strategy developments.	The University regularly engages with the sector through a number of key groups, including the Scottish Planners Forum which is regularly attended by representatives from the SFC. There is also regular dialogue with the SFC on key issues through dedicated contacts, facilitating early and rapid response to any changing demands.
Environmental Sustainability	The University is fully committed to supporting environmental sustainability, and in turn, wider societal efforts to become carbon neutral before 2040. This is a major commitment made as part of the University's Aberdeen 2040 strategy, and all risks inherent in meeting this ambition will be subject to robust monitoring and control.	The University is currently taking forward a number of initiatives linked to this area. These include development of a net-zero definition and Implementation Plan; development and active management of a long-term net-zero project risk register; and identification of and investment in appropriate expertise to take forward net-zero planning and projects.
Leadership and Governance	The University continues to monitor compliance with legislative and regulatory requirements but risks in this area were heightened as a result of the pandemic and the unique challenges posed – some of which are ongoing - notably the requirement to respond rapidly while ensuring adherence to internal and external governance standards.	To mitigate in this area the University set up various groups to develop and manage strategies for re-opening the campus and to support recovery. Court and its committees are able to meet at short notice and an Emergency Powers Group is constituted under existing procedures to take decisions under delegated powers if required.
Student Body and Other Third Parties	The University is a key stakeholder with a number of significant third-party organisations, with a shared interest in their viability and success. These include the Rocking Horse Nursery, Aberdeen Sports Village, a number of external catering providers on campus, and also the Aberdeen University Students' Association.	The University liaises regularly with key third-party partners on mitigations relevant to key services, the campus and its activities. It is represented on the Boards of Trustees in place for both the Rocking Horse Nursery and the Aberdeen Sports Village, and has taken steps to support the viability of third party providers during the pandemic, where possible.

The risk areas identified in this table are not exhaustive; the University also takes account of risks arising from major developments across the sector which transcend different risk areas. In particular, in recent times, this has included significant threats to the University which emerged from the Covid-19 pandemic, the UK's changing relationship with the EU as a consequence of Brexit, both of which have had the potential to adversely affect financial sustainability, the delivery of education and the University's ability to undertake world-class research. Extensive work has been undertaken at an operational and tactical level to address risks and the potential impacts arising from Covid-19, in the immediate term and beyond. However, the University has continued to plan for the future throughout the pandemic, and will continue to embrace strategic opportunities where there are clear benefits which add real value.

Risk Appetite

The University's appetite for accepting risk will change depending on the risk area under consideration and the specific objectives involved. At the strategic level, work is in progress as part of the wider risk management review referenced above, to refine the University's approach to risk appetite, and how it both applies and uses risk appetite ratings. This will be addressed by University Court in AY 2021/22, with proposals expected which make a distinction between risks arising from opportunities pursued, relative to risks arising as a consequence of standard operations.



FINANCIAL REVIEW

Year ended 31 July 2021

Scope of the Financial Statements

The Financial Statements, which have been approved by the Court, have been prepared on a consolidated basis and represent the results of the University and its subsidiary, the Rowett Research Institute Ltd. The statements comply with Financial Reporting Standard (FRS) 102 and the Statement of Recommended Practice (SORP) Accounting for Further and Higher Education 2019.

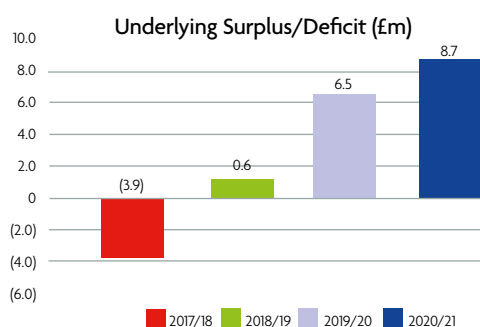
Financial Performance

The Group's reported results for the year are:

	2021	2020
	£000	£000
Income	235,939	233,771
Expenditure	(228,957)	(199,984)
Surplus before other gains and losses	6,982	33,787
Other gains	9,361	448
Actuarial gain/(loss) in respect of pension schemes	19,807	(15,170)
Comprehensive income for the year	36,150	19,065

Our financial management emphasis is on the underlying results that exclude non-controllable and other individually significant items such as the movement of the value of investments and pension deficits. The underlying surplus for the year to 31 July 2021 is £8.7m compared with £6.5m for the prior year as follows:

	2021	2020
	£000	£000
Surplus before other gains and losses	6,982	33,787
Voluntary severance and early retirement schemes	258	369
Provisions for onerous contracts	336	33
Pension provision movements (Note 21)	1,089	(27,726)
Underlying surplus	8,665	6,463



Despite the Covid-19 pandemic, the University reports an underlying surplus of £8.7m. Tuition fee income remained strong at £74.4m compared with £72.6m in the prior year. Additional support from the Scottish Funding Council of £8.1m, tight control of expenditure, including an inflationary (non-incremental) pay freeze for all members of staff and a reduction in salary for members of the Senior Management Team for part of the year, allowed the University to operate on a firm financial footing. Cash balances have improved by £17.7m and our financial covenants tests were met during the year. Investors were provided with updates of our progress throughout the year.

As reported in our 2019/20 Annual Report, our campuses closed in March 2020 and teaching moved to a largely blended approach at the beginning of the 2020/21 academic year. Despite being able to offer some limited face to face teaching provision, the further lockdown in December 2020 meant that this blended approach has been the mainstay of our operations during the year. Recognition must be made of the significant efforts of both our academic and IT staff, who ensured that the University was able to make the prompt transition to blended learning. This was a significant move for the University and the change resulted in many hurdles that had to be overcome to ensure that blended learning provided both a meaningful and practical solution for our staff and students. This would not have been possible without the considerable efforts of those leading the various workstreams and the Blended Learning Task and Finish Group.

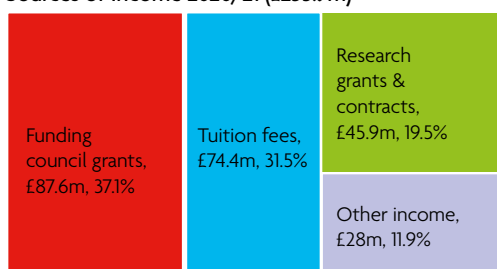
We must also recognise the impact on our current students and those starting university life, with the student experience being far from anticipated, and for those who graduated in November and July, with in person graduation ceremonies once again being postponed.

Laboratory research activities were able to restart in September 2020 with many of our researchers being engaged in work associated with the pandemic. Again, the reopening of laboratories was a huge undertaking and would not have been possible without the commitment of all staff involved. Similarly, for those living and working on campus, our Estates and Campus Services teams have ensured that operations have run smoothly, that the buildings on campus have been clearly signposted for Covid-19 restrictions and that enhanced cleaning has taken place.

Only essential capital expenditure was undertaken during the year, apart from work on the Science Teaching Hub which continued throughout the year and is due to open in early 2022. Court has now approved that work can restart on the King's

Transformation projects, planning approval has been granted and the projects continue to work through the early design and appointment stages. Significant investment has also been made to our digital capabilities to ensure that blended, on-line and on demand teaching provision is supported and enhanced. We recognise the importance of continued investment in both our Estate and IT facilities and a medium term plan has been identified as we continue to work on our longer term capital plan.

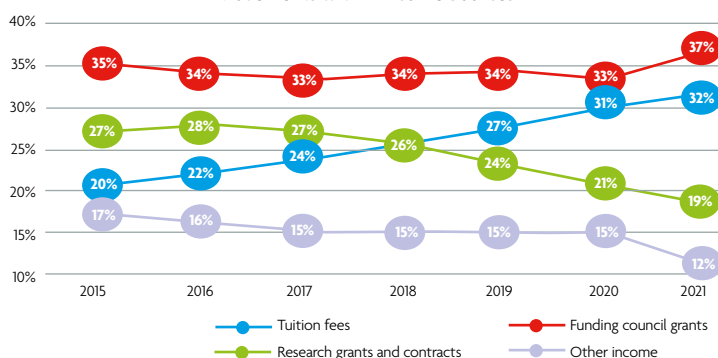
Sources of Income 2020/21 (£235.9m)



Overall, despite the impact of Covid-19, income for the year has increased by £2.1m to £235.9m.

Funding Body grants have increased by £10.3m to £87.6m, largely due to the additional support provided throughout the pandemic. Tuition fees have increased by 2.5% to £74.4m with Scottish & EU fees increasing by £1.3m to £21.7m, or 6.6% from 2019/20 levels. Non-EU fees increased by £1.0m or 2.3% and although this growth was not at the levels

Movements within Income Sources



expected before the Covid-19 outbreak, given the uncertainties we faced in the Summer of 2020 this is a positive outcome for the University. Fees from students from the Rest of UK remained constant at £8.3m.

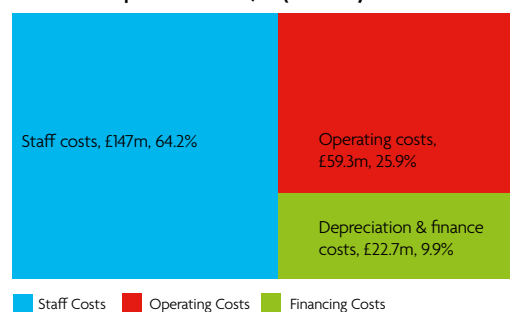
Research grants and contracts income of £45.9m decreased by £3.4m (6.8%) from £49.3m in the previous year. Reductions are reported in most categories as the University saw a fall in research activity during the year.

Other income fell by £6.0m to £25.8m with Residences and Catering Operations accounting for £5.3m of the reduction with fewer students

and staff on campus during the lockdown. The University claimed £0.8m, representing a maximum of 514 staff in May, from the UK Government's Coronavirus Job Retention Scheme compared with £2.1m in the prior year. Investment income reduced by £0.4m with lower returns from cash deposits of £0.6m being partially offset by an improved return from our endowment portfolio due to the effect of our revised investment strategy, which was implemented in early 2020.

Overall, total expenditure increased by £29.0m or 14.5% to £229.0m.

Sources of Expenditure 2020/21 (£229.0m)



Staff costs of £147.0m have increased by £31.6m (27.4%), with the increase resulting from movements in pension provisions during the previous year. Implementing the Universities Superannuation Scheme (USS) 2018 valuation exercise resulted in a non-cash credit of £29.6m to staff costs in 2019/20, compared with an increase £0.2m in the current year. Staff costs excluding pension liability movements of £146.8m, were approximately £1.8m higher than in the previous year, mainly due to our investment in key strategic posts. Other expenditure of £59.3m fell by £1.5m or 2.5% during the year, predominantly due to the action taken to control costs due to the Covid-19 pandemic. Depreciation charges remained stable at £16.9m.

Other Gains and Losses

Our non-current investment portfolio reported an overall gain of £6.3m for the year, predominantly due to an increase in the value of our endowment and pension portfolios with gains of £5.9m and £0.4m respectively. These gains reflect the strengthening value of our investments as markets continue to recover from the shock of the Covid-19 pandemic and resultant lockdown.

The continued downturn in the Aberdeen housing market has resulted in a further £0.5m (2020: £2.0m) reduction in the value of our investment properties. Surplus investment properties and land were sold during the year resulting in a gain of £4.5m with the majority of disposals being through the Rowett Research Institute Ltd.

Actuarial Gain in Respect of Pension Schemes

The gain of the £19.7m is largely attributable to the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS) reporting an actuarial gain of £18.1m. Overall, the UASLAS scheme deficit decreased by £16.2m to £20.3m and the Strathclyde Pension Fund (SPF) moved from a deficit of £1.7m to a small surplus during the year.

Treasury Management, Cash Flow & Covenant Requirements

Borrowing

As of 31 July 2021, total unsecured loans amounted to £103.6m including £10m of our Barclays loan facility which was repaid as planned in September 2021. The University secured £60.0m of borrowing from a successful private placement in May 2019 to provide £50.0m of investment for our King's Transformation Projects and £10.0m for the repayment of the Barclays facility. The balance of £3.6m is from the Scottish Funding Council for the planned improvements to the heating network at our Hillhead Halls student accommodation complex. The private placement funds were secured at a blended interest rate of 3.12% and are repayable in three equal instalments in 2044, 2049 and 2054. In addition to the private placement, the University has a £40m loan facility with Barclays Bank Plc, which has been fully drawn down and has been used to fund our capital investment. Repayments are due in four instalments of £10m, in September 2021, 2026, 2031 and 2036 respectively, with the first repayment being made as planned in September 2021. Due to changes in the calculation of base rates for bank loans, in order to protect the fixed interest rates agreed with Barclays, the University is considering rephasing loan repayments to £10m in 2026, £11.1m in 2031 and £8.9m in 2036. The University has previously entered into finance leases for halls of residence, with £23.9m outstanding for an agreement expiring in 2037.

Cash Flow

Operating activities generated a cash inflow of £35.7m (2020: £17.7m). After taking account of capital expenditure, investment income and borrowing costs, the net Group cash inflow was £17.7m, compared with an inflow of £12.1m in the previous year. This increased cash flow is in part due to the University being able to protect its income generation, tight cost controls to protect the cash balances in first semester of the academic year and delayed capital expenditure due to the knock-on effects of the lockdown.

Financial Covenants

The University has two external covenant tests with which it must comply. The first is a debt service cover test where cash flows from operating activities, adjusted to include investment and endowment income, must equate to at least 1.5 times the level of interest charges and debt repayment. The second measure is a gearing test, where debt, including the pension guarantee, must not exceed 50% of net assets. For financial year 2020/21, the University complied with both measures returning a debt service cover ratio of 6.3 times and a gearing percentage of 35.2%. There were concerns as to whether the University would meet these covenant tests early in the financial year and we continued to provide investors with regular updates as our forecast position became clearer. However with more certainty around student intake at the beginning of 2021, it became apparent that the University would meet both tests.

Payment of Creditors

The University has no single policy for payment of creditors but abides by arrangements negotiated with its suppliers. No interest was paid in the year under the Late Payments of Commercial Debts (Interest) Act.

Statement of Financial Position as at 31 July 2021

Assets	
Buildings & equipment, £531.2m	Cash & deposits, £120.5m
	Investments, £75.9m
	Other, £21.0m

Liabilities (£367.7m)	Reserves: (354.6m)	
Unrestricted reserves - £332.4m	Loans & leases, £127.9m	Deferred grants, £92.0m
	Endowments - £58.4m	Provisions, £64.2m
	Creditors, £73.6m	



Non-Current Assets

The value of non-current assets increased by £19.4m to £617.1m during the year. Work continues on the Science Teaching Hub, which was handed over to the University in late 2021 and is due to open in early 2022, with £31.8m of expenditure to date. The King's redevelopment which was paused last year but has since restarted with planning permission granted for elements of the project. We continue to invest in our digital infrastructure with the recent focus towards the blended provision of our courses. Capital additions of £23.3m have been partially offset by depreciation charges of £16.9m and the disposal of and reduction in value of investment properties which led to an overall fall in value of £2.0m.

Investments account for £15.8m of the increase to non-current assets, with the increase due in part to the reclassification of £10.0m of new term deposits that are due to mature in May 2022. In addition, the strong performance of our investment portfolios resulted in an overall increase in value of £6.1m.

Net Current Assets

As at 31 July 2021, the Group reported net current assets of £46.9m compared with £60.9m as at 31 July 2020. The movement is due to the reclassification of £10.0m of term deposits to non-current assets and the inclusion of £10.0m of loan funding in current liabilities that was repaid in September 2021. Cash holdings have increased by £17.7m due to our underlying surplus, capital expenditure being lower than anticipated due to supply chain issues and a £9.1m increase in prepaid income. Debtors include £2.1m in respect of land sales with the provision for bad debts being increased by £0.3m to £1.4m.

Overall creditors falling due within one year of £84.6m are £20.9m higher than the previous year, £10.0m of which is due to the reclassification of loans. As with many research-intensive universities, prepaid income for research grants of £22.5m (2020: £19.8m) is a main element of our creditors falling due within one year. Additional support funding of £2.5m from the Scottish Funding Council has been carried forward and prepaid tuition fee income of £9.7m is £2.7m higher than the prior year. Creditors falling due within one year also include capital grants to be released of £4.3m and an accrual in respect of untaken annual leave of £5.2m.

Creditors: Amounts Falling Due After More Than One Year

Long term creditors have reduced by £12.6m largely because of the restatement of the £10.0m loan that was paid in September 2021. Creditors comprise of borrowing of £93.4m, finance lease obligations of £23.5m and £92.0m of deferred income in respect of capital grants from government organisations.

Provisions & Pension Schemes

Pension provisions have decreased by £18.6m to £63.3m during the year. The provisions cover the discounted fair value of the contractual contributions of £40.1m (2020: £40.5m) for the Universities Superannuation Scheme (USS), and a further £20.3m, a decrease of £16.3m (2020: £36.6m) in respect of the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS). The Strathclyde Pension Fund (SPF) reports a surplus of £1.9m compared with a deficit of £1.7m in the previous year. The surplus cannot be recognised within the University's statement of financial position. A further £2.9m (2020: £3.2m) has been provided against the payment of enhanced pensions to a number of former Northern College employees.

The UASLAS employer contribution rate of 18.9% includes a deficit recovery contribution of £725,000, due to the Covid-19 pandemic the University and Scheme Trustees had previously agreed to reduce this to £362,500 for financial years 2021 and 2022, with deficit recovery contributions increasing to approximately £1.0m per annum from August 2022 to July 2025 before reverting to £725,000 from August 2025. However, due to our healthier than anticipated cash balance, the University has paid the deficit recovery contribution for financial year 2021 in full.

The UASLAS accounting deficit of £20.3m reported as at 31 July 2021 is significantly larger than the £9.6m deficit from the 2019 valuation exercise. As well as the timing difference between the valuations and the resultant reduction in interest rates, regulations require that the accounting deficit is calculated on a more prudent basis than that of the triennial valuation exercise. The University has provided a pension guarantee facility for £9.6m to match the 2019 valuation deficit.

USS is a multi-employer scheme in which the University is a participating employer. The 2018 actuarial valuation of USS reported a total multi-employer pension liability of £3.6bn.

As the 2020 valuation exercise was not completed prior to 31 July 2021, the figures included within our accounts are based on the 2018 valuation exercise. The USS Trustee has since completed the 2020 valuation exercise. The updated valuation exercise, assuming that the required benefit reforms are in place by 28 February 2022, would have resulted in the University deficit being approximately £116.0m as opposed to the reported £40.1m.

In Spring 2020 USS consulted with the sector via Universities UK (UUK), with the consultation focussing upon covenant support measures, contribution levels and opt out levels, potential benefit reform and an alternative proposal put forward by UUK. As part of the consultation USS indicated that total contribution rates would require to increase from 30.7% to between 42.1% to 56.2% dependent on the levels of covenant support offered. For indicative purposes, a 1% increase to employer contributions results in additional cost to the University of approximately £0.8m.

The University's Pensions Advisory Group completed the consultation on behalf of Court taking account of a staff survey that was undertaken after a presentation to all those eligible to participate in the USS scheme. The University affirmed its commitment to the USS scheme and understands the importance of additional covenant support, however this support must not constrain Court's ability to manage the University. The University also supported the existing hybrid model offered by USS, however we stated that contributions are already at the maximum level of affordability for both the members and the University and any increased contributions will not offer value for money. Based on these principles, the University continues to support a hybrid method, providing that there can be greater certainty over future costs and that some degree of flexibility over contribution levels is offered to members and that the governance of the Scheme be reviewed.

A counter-offer was made by the USS Trustees in June, which accepted the UUK proposals on benefit reform with an overall contribution rate of 31.2% with some further amendments to the covenant support measures. Subsequently, there was a further consultation, where this proposal was accepted by the University. Court also noted that whilst the proposal was accepted that this was only because it was the most acceptable option on offer and that USS must work to address the issues that were raised in the earlier consultation.

The revised proposal has since been approved by the USS Trustee and subject to a consultation exercise, the changes will result in revised contribution rates of 21.4% for employers and 9.8% for members.

Outlook

The Covid-19 outbreak has affected our financial performance during the past year, however due to the additional support provided by the SFC and tight cost control, the University remains in a healthy financial position. Tuition fee income and student accommodation fees were both lower than originally forecast for financial year 2020/21 and this trend is forecast to continue with a recovery period of 2 years, with expectations that we will be operating as normal by financial year 2023/24.

Our 2021/22 budget, which was approved by Court and submitted to the SFC in June 2021, forecasts that the income will grow in the coming year. However SFC funding is forecast to fall largely due to the £8.1m of one off grants allocated in the past financial year. Tuition income will increase due to our focus on building the University’s brand and reputation, our international partnerships and our on-line offerings. Whilst expenditure will continue to be closely monitored, the University has filled a number of vacant posts that had been frozen in 2020/21. This will address workload pressures and ensure that staff levels match the growth in student numbers. The increase to staffing costs along with higher USS pension contributions results in a forecast underlying deficit of approximately £3.0m.

This forecast, taken in association with our capital expenditure for the financial year, shows that the University will meet both of the financial covenant tests for financial year 2021/22 and that operating cash levels, although reducing due to investment, remain healthy.

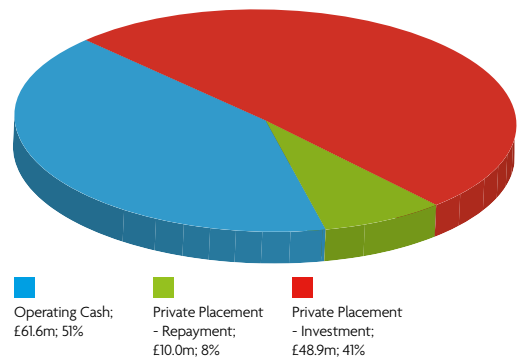
The largest challenge facing Aberdeen is now the uncertainty that Brexit has caused to our European Union (EU) student intake. The Scottish Government have confirmed that following Brexit, students coming from the EU will no longer qualify for free tuition fees from 2021/22 onwards, however, the SFC has also announced that there will be no adjustment made to student places at universities for 2021/22. Any places previously filled by EU students may therefore be used by eligible Scottish students, however any unfilled places below the budget target will reduce income by £1,820 per student and if numbers fall significantly then there is a risk that our teaching grant may be reduced. The change also results in a new income stream for EU students where entrants will pay

fees from 2021/22 onwards, supported by a newly implemented scholarship offer. We have set aside a contingency within our budget should we not attract the predicted levels of additional Scottish and fee paying EU students.

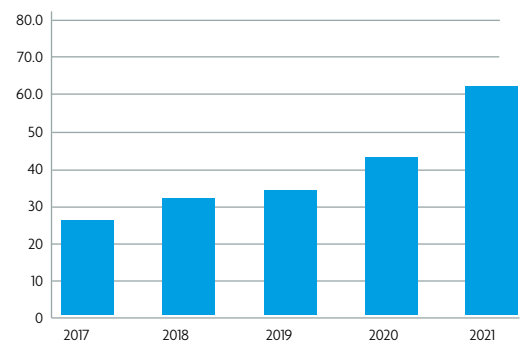
In addition to the uncertainties around EU students and funding, we still do not fully understand the impact of Brexit on research activities and, despite the free trade agreement between the UK and the EU, the additional burden associated with importing goods continues to prove time consuming and costly.

Despite the pandemic, the University has continued to make progress in terms of financial stability over the past few years, once again reporting an underlying surplus for financial year 2020/21. The changes undertaken in the past, along with the work to begin implementation of our Aberdeen 2040 strategy will help us to continue on this path.

Cash & Deposits Analysis at 31 July 2021
£120.5m



Operating Cash (£m)



Future Plans

As the worst of the pandemic appears to be coming to an end the University must now concentrate on developing and executing the plans made prior to the outbreak. Whilst student numbers have held up well during the past year, these are not at the levels forecast when our Aberdeen 2040 strategy was drawn up.

Implementation of the 2040 commitments and the planned redevelopment of the King's College campus will go a long way to achieving these plans and help achieve continued financial strength for the University.



Independent auditor's report to the Court of the University of Aberdeen

Opinion

We have audited the financial statements of the University of Aberdeen ("the University") for the year ended 31 July 2021 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Statement of Financial Position, the Consolidated Cash Flow Statement, and related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group and University's affairs as at 31 July 2021 and of the Group and University's income and expenditure, gains and losses and changes in reserves and of the cash flows for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the University in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The University Court of the University of Aberdeen have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease its operations, and as they have concluded that the Group and University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the University Court's conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the University Court's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- we have not identified, and concur with the University Court's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the University will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring with the University Court, the audit and risk committee, and internal audit as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading University Court and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants and regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that tuition and research income is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group's wide fraud risk management controls

We performed procedures including:

- Agreeing tuition fee income transactions to underlying student records and bank receipts, and recalculating income adjustments at year end;
- Agreeing a statistical sample of research expenditure to underlying support and terms and conditions of contract to assess whether associated income has been recorded and accounted for in the correct period;
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included income and cash journals posted to unrelated accounts and journals with specific descriptions which may indicate high risk.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the University Court and other management (as required by auditing standards) and discussed with the University Court and other management the policies and procedures regarding compliance with laws and regulations.

As the University is regulated our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for

complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation, specific disclosures required by higher education legislation and regulation, charities legislation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and the University are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: data protection, recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The University Court of the University of Aberdeen is responsible for the other information, which comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Strategic Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

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

- the University has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

The University Court's responsibilities

As explained more fully in their statement set out on page 22, the University Court of the University of Aberdeen are responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group and the University or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

Report on other legal and regulatory matters

We are required under the terms of our engagement to report on the following matters.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University 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;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum with Higher Education Institutions.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the University Court of the University of Aberdeen, in accordance with paragraph 6 of the University of Aberdeen Order of Council 2019, and in the University Court's role as charity trustees, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the University Court of the University of Aberdeen those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University Court of the University of Aberdeen, for our audit work, for this report, or for the opinions we have formed.



Michael Wilkie

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

319 St Vincent Street
Glasgow, G2 5AS

9 December 2021





FINANCIAL STATEMENTS

Statement of Comprehensive Income and Expenditure
Year ended 31 July 2021

		Consolidated	University	Consolidated	University
		2021	2021	2020	2020
	Note	£000	£000	£000	£000
Income					
Tuition fees and educational contracts	1	74,423	74,423	72,574	72,574
Funding body grants	2	87,577	87,577	77,279	77,279
Research grants and contracts	3	45,927	45,927	49,281	49,281
Other income	4	25,764	25,764	31,764	31,764
Endowment and investment income	5	2,012	2,012	2,415	2,403
Endowments and donations	6	236	236	458	4,458
Total income		235,939	235,939	233,771	237,759
Expenditure					
Staff costs – excluding movements in pension provisions	7	146,759	146,759	145,034	145,034
Movement in pension provisions	7	197	197	(29,648)	(29,648)
Total staff costs	7	146,956	146,956	115,386	115,386
Other operating expenses	8	59,306	58,950	60,852	60,559
Depreciation	9	16,855	16,855	17,055	17,055
Interest and other finance costs	10	5,840	5,840	6,691	6,691
Total expenditure	11	228,957	228,601	199,984	199,691
Surplus before other gains/(losses) and share of operating surplus/(deficit) of joint venture		6,982	7,338	33,787	38,068
Gain on disposal of fixed assets	12	4,493	234	2,842	-
Unrealised (loss) on revaluation of investment properties	13	(476)	(527)	(1,978)	(1,728)
Gain/(loss) on non-current investments	14	6,256	5,373	94	(574)
Share of operational deficit in joint venture	15	(912)	-	(510)	-
Surplus before tax		16,343	12,418	34,235	35,766
Taxation		-	-	-	-
Surplus after tax		16,343	12,418	34,235	35,766
Actuarial gain/(loss) in respect of pension schemes - University	21a	19,684	19,684	(14,992)	(14,992)
Actuarial (loss) in respect of pension schemes - joint venture	15	123	-	(178)	-
Total comprehensive income for the year		36,150	32,102	19,065	20,774
Total comprehensive income/(deficit) for the year					
Endowment comprehensive income/(deficit) for the year		6,480	6,480	(15)	(15)
Unrestricted comprehensive income for the year		29,670	25,622	19,080	20,789
Total comprehensive income for the year		36,150	32,102	19,065	20,774

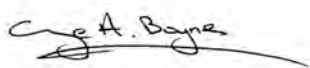
Consolidated and University Statement of Changes in Reserves
Year ended 31 July 2021

Consolidated	Income and expenditure account		Revaluation reserve	Total
	Endowment	Unrestricted		
	£000	£000	£000	£000
Balance at 1 August 2019	51,955	106,077	177,579	335,611
Income/(deficit) from the income and expenditure statement	(15)	34,250	-	34,235
Other comprehensive (deficit)	-	(15,170)	-	(15,170)
Transfers between revaluation and income and expenditure reserves	-	2,544	(2,544)	-
Total comprehensive income/(deficit) for the year	(15)	21,624	(2,544)	19,065
Balance at 1 August 2020	51,940	127,701	175,035	354,676
Income from the income and expenditure statement	6,480	9,863	-	16,343
Other comprehensive income	-	19,807	-	19,807
Transfers between income and expenditure reserves	-	3,261	(3,261)	-
Total comprehensive income/(deficit) for the year	6,480	32,931	(3,261)	36,150
Balance at 31 July 2021	58,420	160,632	171,774	390,826
University				
Balance at 1 August 2019	51,955	98,877	175,635	326,467
Income/(deficit) from the income and expenditure statement	(15)	35,781	-	35,766
Other comprehensive (deficit)	-	(14,992)	-	(14,992)
Transfers between revaluation and income and expenditure reserves	-	1,681	(1,681)	-
Total comprehensive income/(deficit) for the year	(15)	22,470	(1,681)	20,774
Balance at 1 August 2020	51,940	121,347	173,954	347,241
Income from the income and expenditure statement	6,480	5,938	-	12,418
Other comprehensive income	-	19,684	-	19,684
Transfers between revaluation and income and expenditure reserves	-	3,194	(3,194)	-
Total comprehensive income/(deficit) for the year	6,480	28,816	(3,194)	32,102
Balance at 31 July 2021	58,420	150,163	170,760	379,343

Statement of Financial Position as at 31 July 2021

	Note	Consolidated 2021 £000	University 2021 £000	Consolidated 2020 £000	University 2020 £000
Non-current assets					
Tangible assets	13	497,606	496,592	491,196	490,115
Heritage assets	13	277	277	277	277
Intangible assets	13	3,446	3,446	3,546	3,546
Investment properties	13	29,828	27,799	31,737	28,661
Non-current investments	14	69,821	85,808	54,063	70,933
Investment in joint venture	15	16,082	-	16,871	-
		617,060	613,922	597,690	593,532
Current assets					
Stock	16	257	257	252	252
Trade and other receivables	17	20,716	18,609	21,557	19,143
Investments	18	45,000	45,000	55,000	55,000
Cash and cash equivalents	23	65,527	59,227	47,824	46,923
		131,500	123,093	124,633	121,318
Less: Creditors: amounts falling due within one year	19	84,622	84,560	63,692	63,654
		46,878	38,533	60,941	57,664
Total assets less current liabilities		663,938	652,455	658,631	651,196
Less: Creditors: amounts falling due after more than one year	20	208,906	208,906	221,490	221,490
Provisions					
Pension provisions	21a	63,347	63,347	81,942	81,942
Other provisions	21b	859	859	523	523
		64,206	64,206	82,465	82,465
Total net assets		390,826	379,343	354,676	347,241
Restricted reserves					
Income and expenditure reserve – endowment reserve	22	58,420	58,420	51,940	51,940
Unrestricted reserves					
Income and expenditure reserve		160,632	150,163	127,701	121,347
Revaluation reserve		171,774	170,760	175,035	173,954
Total funds		390,826	379,343	354,676	347,241

The Accounts set out on pages 45 to 77 were approved by the University Court on 23 November 2021 and signed on its behalf by:



Professor George Boyne MA, MLitt, PhD, AcSS
Principal and Vice-Chancellor



Ms Julie Ashworth
Senior Governor of the University Court



Mr Phil McNaull
Interim Director of Finance

Consolidated Cash Flow Statement
Year ended 31 July 2021

	Note	2021 £000	2020 £000
Cash flow from operating activities			
Surplus for the year		16,343	34,235
Adjustments for non-cash items			
Depreciation	9 & 13	16,855	17,055
(Gain) on investments	14	(6,256)	(94)
(Increase) in stock		(5)	(19)
Decrease/(increase) in debtors		983	(1,488)
Increase/(decrease) in creditors and other provisions		11,511	(1,940)
Increase/(decrease) provisions (excluding actuarial gain or loss)		1,089	(27,726)
Unrealised deficit on revaluation of investment properties	13	476	1,978
Share of operating deficit in joint venture	15	912	510
Adjustments for investing or financing activities			
Investment income	5	(2,012)	(2,415)
Interest payable	10	4,998	5,059
Endowment income	6 & 22	(114)	(79)
Capital grants received/released during the year		(4,634)	(4,530)
Profit on sale of fixed assets	12	(4,493)	(2,842)
Net cash inflow from operating activities		35,653	17,704
Cash flows from investing activities			
Proceeds from sales of fixed assets		5,912	3,680
Capital grant receipts		3,331	3,497
Disposal of non-current investments	14	11,523	30,490
Additions to deposits		10,000	-
Investment income	5	2,012	2,415
Payments made to acquire fixed assets		(23,853)	(18,370)
New non-current asset investments	14	(21,024)	(25,601)
		(12,099)	(3,889)
Cash flows from financing activities			
Interest paid	10	(3,217)	(3,215)
Interest element of finance lease and service concession payments	10	(1,781)	(1,844)
Endowment cash received	6 & 22	114	79
Repayments of amounts borrowed		(286)	(71)
New unsecured loans and leases	20	-	4,000
Capital element of finance lease and service concession payments		(681)	(644)
		(5,851)	(1,695)
Increase in cash and cash equivalents in the year		17,703	12,120
Cash and cash equivalents at beginning of the year	23	47,824	35,704
Cash and cash equivalents at end of the year	23	65,527	47,824
Movement in cash and cash equivalents		17,703	12,120



STATEMENT
OF PRINCIPAL ACCOUNTING
POLICIES AND ESTIMATION
TECHNIQUES

Basis of preparation

a. Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019) and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. Charities registered with the Office of the Scottish Charity Regulator (“OSCR”) fall within the statutory remit of the Charities and Trustee Investment (Scotland) Act 2005 and, in respect of financial statements preparation, the Charities Accounts (Scotland) Regulations 2006 (as amended). Regulation 14 of the 2006 Regulations allows universities to prepare their financial statements in accordance with the SORP.

The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of investment properties, endowment investments and equity investments).

The functional currency of the group is sterling and all amounts have been presented to the nearest thousand pounds.

b. Going concern

The Group and parent University’s activities, together with the factors likely to affect its future development, performance and position, are set out in the Financial Review which forms part of the University Court’s Report. The University Court’s Report also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the University Court consider to be appropriate for the following reasons.

University Court has reviewed cash flow forecasts for a period of 12 months from the date of approval of these financial statements. After reviewing these forecasts the University Court is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of Covid-19 the University of Aberdeen group will have sufficient funds to meet their liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The University Group generated a surplus after tax in 2020/21 of £16.3m following a surplus of £34.2m in the previous financial year. However, surplus generation alone does not ensure the going concern status of an organisation. The critical factor that management of the University have used to determine the going concern status of the University is whether it can generate cash and maintain sufficient working capital balances. In 2020/21 the University’s net operating cash inflow was £17.7m. In addition, the University has a statement of financial position with a non-current assets of £617.1m, net current assets of £46.9m including a cash balance of £65.5m at the statement of financial position date.

The University’s forecasts and projections to 2022/23, taking account of future developments and reasonable sensitivities in relation to the key risks, indicate that the University will deliver an accounting deficit and a net cash outflow in 2021/22.

The financial scenario planning and stress testing undertaken by the University indicates that there are large external uncertainties which may need to be addressed in the near future: in particular, the continuing uncertainty posed by Covid-19, EU student funding due to Brexit, and the stability of the Universities Superannuation Scheme. In the face of the unprecedented series of large uncertainties, the University has adopted a financially cautious stance. The solvency position is strong and cash reserves are available, if required, to undertake material restructuring in response to the resolution of these uncertainties.

The University considers that it will remain compliant with lender covenants during the period. Consequently, the University Court is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

c. Critical accounting judgments and estimates

The preparation of financial statements requires management to make judgments and adopt estimates that affect the financial statements during the reporting period.

Critical accounting judgments include the evaluation of the Universities Superannuation Scheme (USS) as a multi-employer scheme. The University has judged that the USS meets the definition of a multi-employer scheme for the

reasons set out in the accounting policy for pension schemes below. The University has also determined that in the calculation of the USS year end provision at 31 July 2021, the schedule of contributions from the 2018 valuation should be used. Further disclosure has been included in notes 21a and 28 to the financial statements in respect of this judgment.

In the preparation of the consolidated financial statements, management has made estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for income and expenses during the year.

Actual results could differ from these estimates. Estimates are used principally when determining economic and mortality valuation assumptions for defined benefit pension scheme liabilities and in accounting for the carrying value of tangible fixed assets, by way of depreciation and impairment, and accounting for the fair value of investment properties, by way of annual revaluation (note 13). Estimate is also required in respect of other provisions, disclosed in note 21b.

d. Basis of consolidation

The consolidated financial statements include the University and its subsidiary for the year to 31 July 2021. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. A list of subsidiary undertakings is included in note 30. The consolidated financial statements do not include the income and expenditure of Aberdeen University Students' Association or the University of Aberdeen Development Trust as the University does not exert control or dominant influence over policy decisions of these organisations. Associated companies and joint ventures are accounted for using the equity method.

Income recognition

a. Grant funding

Government revenue grants including Scottish Funding Council block grants and research grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

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

b. Donations & endowments

Donations and endowments with donor imposed restrictions are recognised as income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised as income when the University is entitled to the funds. Investment income and appreciation of endowments are recorded in income for the year for which they arise and are either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

c. Tuition fee income

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

d. Other income

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied. Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis. 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.

e. Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised within income when the University is entitled to the funds subject to any performance related conditions being met.

Employment benefits

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

Operating leases

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

Finance leases

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

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Service concession arrangements

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

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to depreciated replacement cost on or prior to the date of transition to the SORP are measured on the basis of deemed cost, being the revalued amount at the date of transition. A revaluation reserve remains disclosed as a separate component of unrestricted reserves. The difference between historic cost depreciation and depreciation based on revalued deemed cost is transferred from the revaluation reserve to the income and expenditure reserve in each reporting period.

a. Land and buildings

Land and buildings are stated at cost or deemed cost for those acquired prior to transition to the SORP. Subsequent capital expenditure is recorded at cost. Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the surplus or deficit in the Statement of Comprehensive Income and Expenditure. Properties are not depreciated but are revalued annually according to market conditions at 31 July each year.

The University performs impairment reviews of assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount.

Costs incurred in relation to a tangible fixed asset after its initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University. The cost of any such enhancement is added to the gross carrying amount of the tangible fixed asset concerned.

b. Equipment

Equipment, including computers and furniture costing less than £20,000 per individual item or group of related items, is written off in the year of purchase. All other items are capitalised. Assets acquired under finance leases are included in fixed assets and the capital element of the leasing commitments is shown as a liability.

c. Depreciation

Freehold land is not depreciated. Freehold buildings are depreciated over the expected useful economic life to the University, normally between 30 and 75 years. Where material, a depreciable asset's anticipated useful life is reviewed annually and the accumulated and future depreciation charges are adjusted. Depreciation on tangible fixed assets in the course of construction is only provided when the assets are first brought into operational use. No depreciation is provided for on investment properties.

Depreciation is provided on the value of equipment, including IT equipment on a straight line basis, normally between 2 – 10 years.

d. Heritage assets

The University holds a number of collections, exhibits, artefacts, and other assets of historical, artistic or scientific importance. Heritage assets acquired before 31 July 2011 have not been capitalised, since reliable estimates of cost or value are not available on a cost-benefit basis. Acquisitions from 1 August 2011 are capitalised at cost or, in the case of donated assets, will be valued where the cost of obtaining value is not greater than the benefit to the user of the financial statements. In line with the accounting policy in respect of equipment, the threshold for capitalising heritage assets is £20,000. Heritage assets that are irreplaceable originals and for which no reliable value can be attributed, will not be capitalised. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

e. Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the Statement of Comprehensive Income and Expenditure in the period in which it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

f. Intangible assets

Intangible assets (i.e. computer software) are amortised over their remaining useful economic life, not exceeding 15 years.

Investments

Listed investments, including spin out companies that the University has an interest in, held as fixed assets or endowment assets are shown at market value with movements recognised in the surplus or deficit. Investments in subsidiary undertakings are shown at cost and investments in joint ventures are shown in the consolidated statement of financial position as the attributable share of net assets. The University's share of any surplus or deficit in respect of Joint Ventures is recognised in the Statement of Comprehensive Income and Expenditure. Other investments include term-deposits with a maturity date of more than 12 months from the statement of financial position date.

Stock

Stock, including work in progress, is valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

Research and development

Research and development costs incurred by the University on its own behalf are written off in the year incurred with the exception of any equipment or software that is capitalised in line with the University's accounting policy.

Taxation

The University is an exempt charity within the meaning of Charities and Trustee Investment (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities by the Office of the Scottish Charity Regulator. It is, therefore, a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories

covered by sections 478-488 of the 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. Subsidiary companies are liable to corporation tax.

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

Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Foreign currency

Foreign currency transactions are recorded at the rate of exchange at the dates of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at financial year end rates. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligations. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability. Contingent liabilities are disclosed by way of a note, where 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 reliably measure the possible economic outflow.

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

Basic financial instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the University's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in the surplus or deficit except hedging instruments in a designated hedging relationship.

Pension schemes

The principal schemes for the University's staff are the Universities' Superannuation Scheme (USS) and the University of Aberdeen Superannuation & Life Assurance Scheme (UASLAS). The University also contributes to the Strathclyde Pension Fund (SPF). Each scheme is or includes a defined benefit plan which is valued every three years by professionally qualified independent actuaries. A small number of staff remain in other pension schemes.

a. Defined contribution plan

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

b. Defined benefit plan

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

c. Multi-employer scheme

The defined benefit section of the USS is a multi-employer scheme. The assets are not attributed to individual employers and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other employers and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS 102, "Employee benefits", the University therefore accounts for the USS defined benefit scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure represents contributions payable to the scheme. The University recognises an immediate expense and provision liability for the present value of contributions which are payable that arise from deficit funding obligations.

Reserves

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

1. Tuition fees and educational contracts

2021
£000

2020
£000

Consolidated and University		
Scottish fees	16,617	15,109
EU fees	5,071	5,240
RUK fees	8,325	8,358
Non-EU fees	42,447	41,482
Non-credit bearing course fees	1,819	2,160
Other contracts	144	225
	74,423	72,574

2. Funding body grants

Consolidated and University		
SFC general funding - teaching	49,017	47,274
SFC general funding - research	22,404	22,436
Strategic research development grant	11,079	3,127
Capital grants released from deferred income	4,092	4,023
Other SFC grants	985	419
	87,577	77,279

3. Research grants and contracts

Consolidated and University		
Research councils	8,297	8,713
UK based charities	6,549	7,355
UK central and local government, health and hospital authorities	16,038	17,150
UK industry, commerce and public corporations	4,459	4,874
EU government bodies	2,347	3,092
EU other	827	991
Other overseas	7,117	6,814
Other sources	293	292
	45,927	49,281

Research grants and contracts income includes the following significant grants (over £500,000):

Funding body	Project title	£000
RESAS	RESAS main programme	6,625
Wista Laboratories Ltd	Alzheimer's research project	4,654
OGTC Ltd	National Decommissioning Centre	1,225
Chief Scientist's Office	Covid portfolio awards	598
Chief Scientist's Office	HSRU core grant	551
BBSRC	Eastbio studentships	550
Scottish Government	HERU core grant	510

4. Other income

	Consolidated 2021 £000	University 2021 £000	Consolidated 2020 £000	University 2020 £000
Residences, catering and conferences	5,394	5,394	10,703	10,703
Consultancy	4,594	4,594	4,265	4,265
Health authorities	7,233	7,233	7,211	7,211
VAT recovery	112	112	436	436
Other grants	7,528	7,528	6,982	6,982
Capital grants received/released	85	85	59	59
Income from Coronavirus Job Retention Scheme	818	818	2,108	2,108
	25,764	25,764	31,764	31,764

5. Investment income

Investment income from endowments (note 22)	1,406	1,406	1,209	1,209
Other investment income	606	606	1,206	1,194
	2,012	2,012	2,415	2,403

6. Donations and endowments

New endowments (note 22)	114	114	79	79
Donations with restrictions	122	122	379	4,379
	236	236	458	4,458

7. Staff costs

	2021 £000	2020 £000
Consolidated and University		
Salaries	113,939	112,921
Social security costs	11,121	11,034
Movement on pension provisions (note 21a)	197	(29,648)
Other pension costs	21,699	21,079
	146,956	115,386
Emoluments of the Principal and Vice-Chancellor – Professor George Boyne		
Salary	229	255
Living allowance	17	20
Pension contributions to USS	5	5
Sub-total	251	280
Benefit in kind – accommodation and associated costs	12	16
Total	263	296

The Principal is required to reside in University-provided accommodation as the University regards this as essential for the fulfilment of his duties. The living allowance was introduced on the removal of the customary tax exemption for the provision of accommodation by HM Revenue & Customs. Following the removal of the exemption the Principal contributes £12,000 p.a. towards accommodation costs that results in a net benefit in kind of £12,000 (2020: £16,000).

The remuneration (comprising of salary, living allowance and pension contributions) of the Principal, Professor George Boyne, in the financial year was £251,000 (2020: £280,000). This reduction is because the Principal volunteered to take a 20% reduction in his salary for the first six months of the financial year due to the uncertainties surrounding the impact on the University's financial position due to the Covid-19 pandemic. This was 6.2 times (2020: 6.6 times) the median remuneration of the workforce which was £40,323 (2020: £42,146). The reduction in the median salary is largely due to the additional staff employed at the University's Covid-19 test centre, without these appointments the median would have been in line with the 2020 figure.

Staff costs for key management personnel excluding employer's pension contribution	1,078	1,008
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Key management personnel are the University's Senior Management Team (SMT), comprising of the Senior Vice Principal, Vice Principals, Secretary to the University, Director of Finance, Director of People and from 1 August 2020, the Director of External Relations. Members of the SMT took a voluntary reduction in pay of 10% for the first six months of the financial year. The University of Aberdeen Development Trust's Executive Director of Advancement also attends SMT meetings in order to provide support in relation to our fundraising and development activities. Salary costs for the Executive Director of Advancement are met by the University of Aberdeen Development Trust and are not included within the above costs.

7. Staff costs - continued

Compensation for loss of office payable to senior post holders:	2021		2020	
	Number	£000	Number	£000
Number of payments in excess of £100,000 during the year	-	-	1	136
Compensation arrangements for members of staff earning in excess of £100,000	-	-	2	219

Remuneration of other higher paid staff (excluding the Principal)	2021	2020
	Number	Number
£100,000 - £109,999	17	24
£110,000 - £119,999	22	24
£120,000 - £129,999	10	11
£130,000 - £139,999	11	6
£140,000 - £149,999	3	2
£150,000 - £159,999	3	3
£170,000 - £179,999	-	1
£200,000 - £209,999	1	-

Average staff numbers by activity - full time equivalent basis		
Academic departments	1,176	1,126
Academic services	299	311
Administration and central services	379	383
Premises	226	193
Residences, catering and conferences	97	109
Research grants and contracts	365	387
Other expenses	122	124
	2,664	2,633

Staff costs by activity – Consolidated and University	2021	2020
	£000	£000
Academic departments	74,363	70,262
Academic services	13,780	14,235
Administration and central services	18,942	18,373
Premises	6,807	6,346
Residences, catering and conferences	3,072	3,442
Research grants and contracts	21,341	23,379
Other expenses	8,454	8,997
Pension cost adjustments	197	(29,648)
	146,956	115,386

8. Other operating expenses by activity

	Consolidated 2021 £000	University 2021 £000	Consolidated 2020 £000	University 2020 £000
Academic departments	15,143	15,143	13,429	13,429
Academic services	7,004	7,004	6,260	6,260
Administration and central services	9,258	9,258	9,339	9,339
Premises	9,074	9,074	8,954	8,954
Residences, catering and conferences	1,875	1,875	4,237	4,237
Research grants and contracts	12,334	12,334	13,070	13,070
Other expenses	4,618	4,262	5,563	5,270
	59,306	58,950	60,852	60,559

Other operating expenses (including VAT) include:

External auditor's remuneration in respect of audit services	72	69	72	69
External auditor's remuneration in respect of non-audit services	40	40	25	25
Internal auditor's remuneration in respect of audit services	91	91	166	166
Internal auditor's remuneration in respect of non-audit services	167	167	99	99

Internal auditor remuneration for non-audit services is in respect of tax advice for the establishment of overseas collaborations and other specialist matters.

9. Depreciation by activity

Academic departments	1,447	1,447	1,796	1,796
Academic services	3,459	3,459	3,540	3,540
Administration and central services	58	58	52	52
Premises	8,487	8,487	8,413	8,413
Residences, catering and conferences	2,484	2,484	2,545	2,545
Research grants and contracts	657	657	526	526
Other expenses	263	263	183	183
	16,855	16,855	17,055	17,055

10. Interest and other finance costs

Loan interest	3,217	3,217	3,215	3,215
Finance leases	1,781	1,781	1,844	1,844
Net interest on defined benefit pension schemes (note 21a)	842	842	1,632	1,632
	5,840	5,840	6,691	6,691

11. Analysis of total expenditure by activity

	Consolidated 2021 £000	University 2021 £000	Consolidated 2020 £000	University 2020 £000
Academic departments	90,953	90,953	85,487	85,487
Academic services	24,243	24,243	24,035	24,035
Administration and central services	28,258	28,258	27,764	27,764
Premises	27,585	27,585	26,928	26,928
Residences, catering and conferences	9,212	9,212	12,068	12,068
Research grants and contracts	34,333	34,333	36,975	36,975
Other expenses	13,004	12,648	16,375	16,082
Movement on pension provisions	1,369	1,369	(29,648)	(29,648)
	228,957	228,601	199,984	199,691

12. Disposal of fixed assets

	4,493	234	2,842	-
Gain on disposal of fixed assets				

The gains are in respect of the disposal of surplus investment properties and land, predominantly by the Rowett Research Institute Limited.

13. Fixed assets - Non-current assets - Consolidated

	Freehold Land and Buildings £000	Assets in Course of Construction £000	Investment Properties £000	Heritage Assets £000	Fixtures, Fitting and Equipment £000	Intangible Assets £000	Total £000
Cost or Valuation							
At 1 August 2020	543,139	13,299	31,737	277	59,678	7,444	655,574
Additions	1,088	18,595	62	-	3,232	317	23,294
Reclassification	(640)	640	-	-	-	-	-
Revaluation	-	-	(476)	-	-	-	(476)
Disposals	(67)	-	(1,495)	-	(2,205)	-	(3,767)
At 31 July 2021	543,520	32,534	29,828	277	60,705	7,761	674,625
Depreciation							
At 1 August 2020	78,889	-	-	-	46,031	3,898	128,818
Charge for the year	11,679	-	-	-	4,759	417	16,855
Eliminated on disposals	-	-	-	-	(2,205)	-	(2,205)
At 31 July 2021	90,568	-	-	-	48,585	4,315	143,468
Net book value							
At 31 July 2021	452,952	32,534	29,828	277	12,120	3,446	531,157
At 31 July 2020	464,250	13,299	31,737	277	13,647	3,546	526,756

13. Fixed assets - Non-current assets - University

	Freehold Land and Buildings	Assets in Course of Construction	Investment Properties	Heritage Assets	Fixtures, Fitting and Equipment	Intangible Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 August 2020	542,000	13,299	28,661	277	59,678	7,444	651,359
Additions	1,088	18,595	62	-	3,232	317	23,294
Reclassification	(640)	640	-	-	-	-	-
Revaluation	-	-	(527)	-	-	-	(527)
Disposals	-	-	(397)	-	(2,205)	-	(2,602)
At 31 July 2021	542,448	32,534	27,799	277	60,705	7,761	671,524
Depreciation							
At 1 August 2020	78,831	-	-	-	46,031	3,898	128,760
Charge for the year	11,679	-	-	-	4,759	417	16,855
Eliminated on disposals	-	-	-	-	(2,205)	-	(2,205)
At 31 July 2021	90,510	-	-	-	48,585	4,315	143,410
Net book value							
At 31 July 2021	451,938	32,534	27,799	277	12,120	3,446	528,114
At 31 July 2020	463,169	13,299	28,661	277	13,647	3,546	522,599

As part of the transition to FRS102, the University chose to no longer revalue land and buildings and to use the 31 July 2014 valuation figures as the deemed cost of assets. The 2014 valuation was performed by Mr A Donaldson BLE, MRICS, Director of Estates, University of Aberdeen. The basis of valuation is depreciated replacement cost as set out in the Royal Institute of Chartered Surveyor's Statement of Asset Valuation Practice and Guidance Notes.

The University owns academic, academic related and recreational buildings which are located in Old Aberdeen, at Foresterhill, part of Marischal College and various Halls of Residence complexes. Part of the Hillhead Halls of residence complex is held under a finance lease, the net book value of assets held under finance leases by the University is £22.4m (2020: £23.3m).

Consolidated and University fixed assets net book value at 31 July 2021 respectively include £29.8m (2020: £31.7m) and £27.8m (2020: £28.7m) in respect of investment properties that are required to be revalued on an annual basis. This was carried out on 31 July 2021 and was performed by J & E Shepherd, Chartered Surveyors.

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

The net book value of fixed assets is analysed between:

	Consolidated 2021 £000	University 2021 £000	Consolidated 2020 £000	University 2020 £000
Tangible assets	497,606	496,592	491,196	490,115
Heritage assets	277	277	277	277
Intangible assets	3,446	3,446	3,546	3,546
Investment properties	29,828	27,799	31,737	28,661
	531,157	528,114	526,756	522,599

14. Non-current investments

	Endowments £000	Spin-Outs £000	Pensions £000	Other £000	Total £000
Consolidated					
At 1 August 2020	48,894	1,055	3,162	952	54,063
Additions	10,815	-	176	10,033	21,024
Disposals/reclassification	(10,930)	(44)	(176)	(260)	(11,410)
Appreciation/(depreciation)	5,873	(102)	416	(43)	6,144
At 31 July 2021	54,652	909	3,578	10,682	69,821
University					
At 1 August 2020	48,894	1,055	3,162	17,822	70,933
Additions	10,815	-	176	10,033	21,024
Disposals/reclassification	(10,930)	(44)	(176)	(260)	(11,410)
Impairment	-	-	-	(883)	(883)
Appreciation/(depreciation)	5,873	(102)	416	(43)	6,144
At 31 July 2021	54,652	909	3,578	26,669	85,808

Endowment additions and disposals reflect the restructure of our portfolio following the implementation of our revised investment strategy as approved by the Investment Committee.

	Consolidated £000	University £000
Other non-current investments consist of:		
Aberdeen Sports Village Ltd (Joint Venture)	-	15,987
Epidarex Capital	682	682
Term deposits	10,000	10,000
	10,682	26,669

The Group's subsidiary undertakings are listed in note 30.

The Group has participating interests in spin out entities which exceed 20% of voting rights (at cost), however there is no board control over the entities and significant influence is not exerted over the operating and financial policies. As a result, the investees are free to implement policies that are inconsistent with the investor's strategy. The substance of the relationship between the investor and investee is that of a fixed asset investment with a view to a trade sale in the medium term. Therefore, these investments are disclosed as fixed asset investments and are not accounted for as equity.

The total value of endowments, spin outs and pension non-current assets carried at fair value in the consolidated statement of financial position is £59.1m (2020: £53.1m)

15. Investment in joint venture

The University holds a 50% share of Aberdeen Sports Village Limited, a company limited by guarantee and registered as a charity. The company provides premier sporting facilities to our students and the wider community, including the Aquatics Centre with an Olympic standard swimming pool. This is a joint venture company owned equally by the University and Aberdeen City Council. The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated statement of financial position of the University and 50% of its net income is reported in the Statement of Comprehensive Income.

	2021 £000	2020 £000
Consolidated		
Income and expenditure account		
Deficit before tax	(912)	(510)
Actuarial (loss) on pension scheme	123	(178)
	(789)	(688)
Statement of Financial Position		
Fixed assets	17,934	18,755
Current assets	3,474	3,594
	21,408	22,349
Less: Restricted funding from SportScotland	(4,138)	(4,366)
Share of gross assets	17,270	17,983
Less: Creditors - amounts due with one year	(1,188)	(1,112)
Share of net assets	16,082	16,871

The movement in the share of net assets from the prior year reflects the University's share of the loss for the year.

16. Stock

	Consolidated	University	Consolidated	University
	2021	2021	2020	2020
	£000	£000	£000	£000
Stock of finished goods	257	257	252	252

17. Trade and other receivables

Trade debtors	9,599	7,492	9,594	7,180
Prepayments and accrued income	11,117	11,117	11,963	11,963
Amounts due from subsidiary companies	-	-	-	-
	20,716	18,609	21,557	19,143

Financial instruments included within trade and other receivables are carried at amortised cost.

18. Investments

Term deposits	45,000	45,000	55,000	55,000
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The increase is due to the reclassification of deposits from non-current investments as these near maturity.

19. Creditors: amounts falling due within one year

Loans and leases	11,044	11,044	967	967
Research grants received on account	22,468	22,468	19,752	19,752
Other grants received on account	18,450	18,450	12,038	12,038
Trade creditors	4,573	4,573	3,122	3,122
Social security and other taxation payable	3,574	3,574	3,493	3,493
Accruals and deferred income	24,513	24,451	24,320	24,282
	84,622	84,560	63,692	63,654

Financial instruments included within creditors are carried at amortised cost.

20. Creditors: amounts falling due after more than a year

	Consolidated 2021 £000	University 2021 £000	Consolidated 2020 £000	University 2020 £000
Loans	93,357	93,357	103,643	103,643
Finance lease obligations	23,512	23,512	24,270	24,270
Deferred income	92,037	92,037	93,577	93,577
	208,906	208,906	221,490	221,490

a. Loans are repayable:

Less than one year	10,286	10,286	286	286
Between one and two years	286	286	10,286	10,286
Between two and five years	857	857	858	858
In five years or more	92,214	92,214	92,499	92,499
	103,643	103,643	103,929	103,929

b. Finance lease net obligations committed:

Less than one year	758	758	681	681
Between one and two years	841	841	757	757
Between two and five years	2,756	2,756	2,640	2,640
In five years or more	19,915	19,915	20,873	20,873
	24,270	24,270	24,951	24,951

c. Deferred income

Less than one year	4,304	4,304	4,065	4,065
Between one and two years	3,825	3,825	3,705	3,705
Between two and five years	7,594	7,594	7,660	7,660
In five years or more	80,618	80,618	82,212	82,212
	96,341	96,341	97,642	97,642

Deferred income relates to capital grants received from government bodies.

Loans included above have the following terms:

	Amount £000	Term Year	Rate %
Bank Loan – Tranche 1	4,600	2031	5.415
Bank Loan – Tranche 2	15,000	2036	3.000
Bank Loan – Tranche 3	10,000	2036	3.072
Bank Loan – Tranche 4	10,400	2036	3.195
Private Placement – Tranche 1	20,000	2044	3.050
Private Placement – Tranche 2	20,000	2049	3.130
Private Placement – Tranche 3	20,000	2054	3.190
SFC Financial Transactions	3,643	2034	0.250

In May 2019, the University raised £60m of borrowing through a private placement, the funds are in three tranches of £20m repayable in 25, 30 and 35 years. The bank loans are repayable in four instalments in September 2021, 2026, 2031 and 2036 respectively. The September 2021 instalment of £10m has been repaid as planned. In April 2020, the University received £4m of funding via the Scottish Funding Council's Financial Transactions programme.

Leases

In December 2012 the University entered into a 25 year finance leasing arrangement with Prudential Ltd in respect of the New Carnegie Court Halls of Residence, £23.8m is payable under this agreement which expires in 2037. During financial year 2018/19 the University entered into a leasing agreement for IT equipment for £0.4m which expires in 2023.

21. Provisions for liabilities

a. Pension provisions	USS Deficit Obligations £000	Defined Benefit Obligations £000	Enhanced Pensions £000	Total Pension Provisions £000
Consolidated and University				
At 1 August 2020	40,489	38,293	3,160	81,942
Charged to staff costs	-	4,589	-	4,589
Movements in year	-	-	(280)	(280)
Interest payable	299	543	-	842
Employer contributions paid	(1,799)	(3,730)	-	(5,529)
Administrative expenses	-	330	-	330
Changes in expected contributions	1,137	-	-	1,137
Actuarial gain	-	(19,684)	-	(19,684)
At 31 July 2021	40,126	20,341	2,880	63,347

Since the year end, following the completion of the 2020 actuarial valuation, a new deficit recovery plan has been agreed. As at 31 July 2020, assuming that the required pension benefit changes have been adopted, and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £116.0m, an increase of £75.9m from the current year end provision. Further information regarding the USS pension scheme and defined benefit obligation schemes is available in note 28.

b. Other provisions	Medical Equipment £000	Student Accommodation £000	Other £000	Total £000
Consolidated and University				
At 1 August 2020	80	184	259	523
Charged in year	520	-	-	520
Utilised in year	-	-	-	-
Released in year	-	(184)	-	(184)
At 31 July 2021	600	-	259	859

During financial year 2020/21 the University has provided for an additional £0.5m for the disposal of specialist medical equipment at the Foresterhill campus, and utilised the remaining £0.2m of the Student Accommodation provision.

Other than disclosed above, provisions are expected to be used or reversed within one year.

22. Endowment reserves

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Restricted Expendable £000	2021 Total £000	2020 Total £000
Balance at 1 August 2020					
Capital	17,457	27,811	212	45,480	45,768
Accumulated income	-	6,460	-	6,460	6,187
	17,457	34,271	212	51,940	51,955
			-		
New endowments	-	114	-	114	79
Investment income	484	915	7	1,406	1,209
Expenditure	(484)	(363)	(65)	(912)	(1,094)
Net expenditure	-	552	(58)	494	115
Increase/(decrease) in market value of investments	1,871	3,990	11	5,872	(209)
At 31 July 2021	19,328	38,927	165	58,420	51,940
Represented by:					
Capital	19,328	31,689	164	51,181	45,480
Accumulated income	-	7,238	1	7,239	6,460
	19,328	38,927	165	58,420	51,940
Analysis by purpose					
Bursaries				2,824	2,609
Prizes				2,185	2,099
Scholarships				6,360	6,176
Teaching foundations				5,124	4,933
Other restricted purposes				16,476	15,865
Unrestricted				19,328	17,457
Unallocated unrealised gains				6,123	2,801
				58,420	51,940

The University has one material endowment, the James E Crombie endowment, a permanent endowment with no restrictions, which at 31 July 2021, had a balance of £5.7m made up of a share of pooled investments and cash balances. The fund earned £0.17m during the year, which in line with SORP requirements, was released to the Income and Expenditure Reserve and £0.2m of gains realised on the sale of investments that were added to the capital balance of the fund.

23. Cash and cash equivalents

	Consolidated £000	University £000
At 1 August 2020	47,824	46,923
Cash flows	17,703	12,304
At 31 July 2021	65,527	59,227

24. Reconciliation of net debt

Analysis of net debt	Consolidated	University	Consolidated	University
	2021	2021	2020	2020
	£000	£000	£000	£000
Cash and cash equivalents	65,527	59,227	47,824	46,923
Investments	45,000	45,000	55,000	55,000
	110,527	104,227	102,824	101,923
Borrowings: amounts falling due within one year				
Unsecured loans	10,286	10,286	286	286
Obligations under finance leases	758	758	681	681
	11,044	11,044	967	967
Borrowings: amounts falling due after more than one year				
Unsecured loans	93,357	93,357	103,643	103,643
Obligations under finance leases	23,512	23,512	24,270	24,270
	116,869	116,869	127,913	127,913
Net debt	17,386	23,686	26,056	26,957
	Consolidated	University	Consolidated	University
	2021	2021	2020	2020
	£000	£000	£000	£000
Net debt at 1 August 2020	26,056	26,957	29,891	31,411
Movement in cash, cash equivalents and investments	(7,703)	(2,304)	(7,120)	(7,739)
Capital repayment of finance leases	(681)	(681)	(644)	(644)
Repayment of unsecured loans	(286)	(286)	(71)	(71)
New finance leases	-	-	-	-
New unsecured loans	-	-	4,000	4,000
Net debt at 31 July 2021	17,386	23,686	26,056	26,957
Change in net debt	(8,670)	(3,271)	(3,835)	(4,454)

25. Capital commitments

	2021	2020
	£000	£000
Consolidated and University		
Commitments contracted for	4,242	20,256
Authorised but not contracted for	11,678	11,850
	15,920	32,106

26. Amounts disbursed as agent

	Childcare Funds £000	Undergraduate Funds £000	Postgraduate Funds £000	Covid-19 Funds £000	2021 Total £000	2020 Total £000
Consolidated and University						
At 1 August 2020	44	155	36	26	261	90
Allocation received in year	133	343	71	1,556	2,103	694
Repaid as claw back	-	-	-	-	-	(90)
Interest earned	-	1	-	-	1	1
Expenditure	(54)	(409)	(59)	(901)	(1,423)	(434)
At 31 July 2021	123	90	48	681	942	261

27. Disclosure of related party transactions

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

The following transactions were identified for the disclosure:

Organisation	Relationship	Nature of Transaction	Receipts £000	Payments £000
Aberdeen & Grampian Chamber of Commerce	Supplier	Operations	-	15
Aberdeen Sports Village Limited	Joint venture	Operations/Grants	143	1,217
Aberdeen University Students Association	Charity	Operations/Grants	4	998
British Heart Foundation	Charity	Operations/Grants	615	-
Carnegie Trust	Charity	Operations/Grants	68	-
CBI Scotland	Supplier	Operations	-	12
CLAN	Charity	Operations/Grants	-	14
Cruickshank Botanical Gardens Trust	Charity	Operations/Grants	5	9
GlaxoSmithKline plc	Customer	Operations/Grants	46	-
Hampshire Hospitals NHS Trust	Supplier	Operations	-	2
Institute of Chartered Accountants of Scotland	Supplier	Operation	-	39
Law Society of Scotland	Supplier	Operations	-	2
Rocking Horse Nursery	Customer/Supplier	Operations/Grants	684	388
Scottish Power	Supplier	Operations	-	2
SEPA	Supplier	Operations	-	6
University of Aberdeen Development Trust	Charity	Operations/Grants	5,146	1,211

The University of Aberdeen Life Assurance and Superannuation Scheme and the Universities Superannuation Scheme are also regarded as related parties. Details of transactions are included within Note 28.

Outstanding balances owed from/(to) the above related parties as at 31 July 2021 are as follows:

	2021 £000	2020 £000
Aberdeen Sports Village Limited	45	(51)
British Heart Foundation	39	185
Carnegie Trust	18	-
Cruickshank Botanical Gardens Trust	(8)	-
Rocking Horse Nursery	121	6
University of Aberdeen Development Trust	76	141

28. Pension schemes

The principal schemes for the University's staff are the Universities' Superannuation Scheme (USS) and the University of Aberdeen Superannuation & Life Assurance Scheme (UASLAS). The University also contributes to the Strathclyde Pension Fund (SPF). The UASLAS and SPF schemes are defined benefit schemes, whilst the USS scheme has a combination of defined benefit and defined contribution elements. All three schemes are externally funded. Each fund is valued every three years by professionally qualified independent actuaries. A small number of staff remain in other pension schemes.

Scheme participation and annual pension contribution costs

Pension Scheme	Employer	Employee	Active	2021	2020
	Contribution Rate	Contribution Rate	Members	£000	£000
As at 31 July 2021					
UASLAS	18.9% ¹	8.0%	680	2,455	2,378
SPF	40.4%	Variable	25	256	239
USS	21.1% ²	9.6%	1,971	18,654	18,133
STSS	23.0%	Variable	2	29	44
NHSSS	20.9%	Variable	30	342	240
				21,736	21,034

¹The UASLAS employer contribution rate includes a £725,000 contribution towards the elimination of the deficit.

²Following completion of the 2018 valuation exercise, employer and employee contributions increased from 1 October 2019, with a further increase planned from 1 October 2021 (employer 23.7%, employee 11.0%) subject to the outcome of the 31 March 2020 valuation. From 1 April 2020 deficit contributions of 2.0% have been included within the employer contribution and increased to 6% from 1 October 2021. The valuation exercise as at 31 March 2020 is currently being finalised and will increase employer contributions to 21.4% and employee contributions to 9.8% (subject to consultation).

Key actuarial assumptions, if appropriate

Pension Scheme	Discount Rate	Salary Increase Rate	Pension Increase Rate	Mortality Rate Current pensioners male	Mortality Rate Current pensioners female	Mortality Rate Future pensioners male	Mortality Rate Future pensioners female
SPF	1.55%	3.5%	2.8%	19.8	22.6	21.2	24.7
UASLAS	1.7%	2.0%	See below	20.7	23.8	22.0	25.2

UASLAS Pension Increase Rates and Inflation Assumptions

	Increase Rate	CPI	RPI
CARE – pre January 2019, pre 2030	2.3%		
CARE – pre January 2019, post 2030	2.9%		
CARE – post January 2019, pre 2030	2.3%		
CARE – post January 2019, post 2030	2.9%		
Final Salary – pre 2030	3.2%		
Final Salary – post 2030	3.0%		
Inflation assumption pre 2030		2.3%	3.2%
Inflation assumption post 2030		2.9%	3.0%

In calculating USS pension provision at 31 July 2021, the University used the discount rate (0.87%) provided by the British Universities Finance Directors Group (BUF DG) and a future salaries increase rate of 3% from 2021 onwards.

Guaranteed Minimum Pension

On 26 October 2018, the High Court in England handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded such schemes should be amended to equalise differences in pension benefits for men and women arising from amounts accrued under the Guaranteed Minimum Pension between 1990 and 1997. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. During the year, the University has worked with the trustees of the UASLAS and SPF schemes to understand and evaluate the additional defined benefit pension obligation arising from the judgment for each scheme. An additional liability of £0.8m was recognised at 31 July 2019 in respect of Guaranteed Minimum Pension. For the University's other defined benefit schemes, principally the USS, the provision included within the financial statements in note 21 may also be impacted in the future, to the extent changes in benefits due to the judgment increase the future level of employer deficit contributions. It is not possible currently to estimate this potential change at 31 July 2021.

28. Pension schemes - continued

The Universities Superannuation Scheme (USS)

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

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

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

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

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.14% reducing linearly to CPI – 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	2018 Valuation
	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
	Post retirement: 97.6% of SAPS SINMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	2021	2020
Males currently aged 65 (years)	24.6	24.4
Females currently aged 65 (years)	26.1	25.9
Males currently aged 45 (years)	26.6	26.3
Females currently aged 45 (years)	27.9	27.7

28. Pension schemes - continued

The Universities Superannuation Scheme (USS)

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate increased to 6% until 31 March 2028. The 2020 deficit recovery liability reflects this plan.

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). Details of this provision are included in note 21a to the financial statements.

The USS is a multi-employer scheme in which the University is a participating employer. The 2018 actuarial valuation of USS was formally completed, and the total multi-employer pension liability was calculated at £3.6bn.

The USS Trustee has now completed the 2020 valuation exercise, which due to the requirement for changes to pension benefits to be agreed by 28 February 2022 has resulted in a dual Statement of Contributions agreement. Assuming that the changes to pension benefits have been agreed, the reported Scheme deficit is £14.1bn, which rises to £18.4bn should the current benefits be retained.

Since the year end, following the completion of the 2020 actuarial valuation, a new dual rate schedule of contributions has been agreed with an effective date of 1 October 2021. Recalculating the USS provision on the basis of these contributions would result in an increased obligation to fund the deficit of £116.0m, an increase of £75.9m.

A further change to deficit recovery contributions will become applicable under the 2020 valuation if the Joint Negotiating Committee recommended deed on benefit changes has not been executed by 28 February 2022. In this scenario, higher deficit recovery contributions will commence from 1 October 2022 at 3% and then increase every 6 months until they reach 20% at 1 October 2025. They remain at this level until 31 July 2032. Under this model, the University's deficit as at 31 July would have been approximately £185.3m. If the Schedule of Contributions remains unchanged, the University's Financial Statements for the year ended 31 July 2022 will reflect these changes to the provision, subject to any other changes in financial and operational assumptions.

As set out in the accounting policies, there are some critical judgments made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the provision are:

	Increase in Provision £000
0.5% decrease in discount rate	805
0.5% increase in salary inflation over duration	784
0.5% increase in staff changes over duration	799
1% increase in deficit contributions to March 2028	6,635

University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS)

The University of Aberdeen Superannuation and Life Assurance Scheme is a funded defined benefit pension scheme in the UK. The Scheme is set up on a tax relieved basis as a separate trust independent of the University and is supervised by Trustees. The Trustees are responsible for ensuring that the correct benefits are paid, that the Scheme is appropriately funded and that Scheme assets are appropriately invested.

Active members of the Scheme pay contributions at the rate of 8.0% of pensionable salary and the University pays the balance of the cost as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme for funding purposes whereas the accounting assumptions must be best estimates. The University contributes £725,000 per annum towards elimination of the funding shortfall. This is in addition to contributions paid in respect of future service benefits and administration expenses.

A formal actuarial valuation as at 31 July 2019 was completed during the and reported a deficit of £9.6m. As a result of the 2019 valuation exercise, employer contributions, including the deficit recovery contribution are now 18.9% and employee contributions remain unchanged at 8%.

The power to appoint Trustees is vested in the University Court. Court appoints four Trustees including an independent chairman and three University employees. A further two Trustees, who represent members, are elected by the active and pensioner members of the scheme. The arrangements for appointing membership representatives comply with the Membership Nominated Trustee requirements of the Pensions Act 2004.

Trustees are invited to attend Trustee meetings at which a minimum of two must be present for valid decisions to be taken. Decisions require the majority support of those Trustees present. Trustee meetings are normally held every three months but can be called more frequently where necessary. During 2020/21 the Trustees met four times.

28. Pension schemes - continued

University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS)

Scheme Assets	2021	2020
	Fund Value	Fund Value
	£000	£000
Equities	43,268	52,783
Property	17,388	21,832
Government bonds	14,153	16,457
Corporate bonds	38,072	15,098
Index linked bonds	11,243	45,439
Secure pensions	815	934
Cash	13,178	17,572
Liability driven investments	42,974	-
	181,091	170,115

The Scheme holds an asset in respect of annuities purchased in the Trustees' name to meet benefits due to pensioners (and deferred pensioners). The value of the assets in respect of these policies is equal to the value of the FRS102 liability that they cover, which at the Measurement Date was £815,000.

At 31 July 2021, the defined benefit deficit of the scheme was £20.3m (2020: £36.6m).

Following the 31 July 2016 triennial valuation, the University agreed to make annual deficit contributions of £725,000 over a 10 year period commencing 1 August 2017. £9m deficit, the guarantee was subsequently increased to £9.6m to reflect the 2019 valuation exercise deficit.

Additional disclosures in respect of the UASLAS pensions disclosures

Inflation assumptions

The University has updated its approach to setting RPI and CPI inflation assumptions in light of the RPI reform proposals published on the 4th September 2019 by the UK Chancellor and UK Statistics Authority.

The University has proposed that RPI inflation is to be set in line with market break even expectations less an inflation risk premium (IRP). They have proposed a change to how the IRP is set post 2030, resulting in a decrease in RPI compared with the prior year methodology of 20 basis points after 2030. For the CPI, the Actuary has proposed reducing the long-term gap between RPI and CPI after 2030, resulting in an increase in the resulting CPI assumption post 2030 of 60 basis points compared with the prior year methodology to reflect increased clarity on the future of the RPI index.

The impact of the changes in approach when setting the inflation assumptions is expected to have been a £2.8m increase in the DBO, made up of a reduction of £3.0m from the change in IRP and an increase of £5.8m from the change in RPI-CPI wedge.

Covid-19/Mortality

For the accounting disclosure as at 31 July 2021 we have updated the demographic assumptions using the CMI_2020 model, allowing for a long-term rate of improvement of 1.25%, a smoothing parameter of 7.0, an initial addition parameter of 0.1% and a 2020 weighting of 10%. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that some of the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data. However, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic, and so we have made partial allowance for this 2020 data when projecting future longevity improvements by using the CMI_2020 Model with a 2020 weight parameter of 10%. The effect on the Employer's liabilities of updating to the most recent model is an approximate decrease in the DBO of £1.3m.

The Strathclyde Pension Fund (SPF)

The Strathclyde Pension Fund (SPF) provides benefits based on a final pensionable salary for employees of local government and some other institutions. It is possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if they were a defined benefit scheme.

The last triennial valuation undertaken was at 31 March 2020. The employer's contribution rate payable on members' pensionable salaries is 40.4%. The accounting standard FRS102 is designed to produce a net pension asset or liability calculated according to a prescribed method of valuation. In particular, the discount rate applied to pension scheme liabilities differs from that used in normal actuarial valuations to determine, inter alia, the scheme's required funding rate, and generally produce a higher value for scheme liabilities. The pension costs are determined with the advice of an independent qualified actuary on the basis of triennial valuation using the projected unit method.

Scheme Assets	2021	2020
	Fund Value	Fund Value
	£000	£000
Equities	15,484	12,205
Bonds	5,631	4,843
Property	2,111	2,131
Cash	235	194
	23,461	19,373

At 31 July 2021, the defined benefit surplus for the scheme was £1.9m (2020: deficit of £1.7m). The surplus is not recognised in the University statement of financial position.

28. Pension schemes - continued

The Scottish Teachers Superannuation Scheme (STSS)

The STSS is an unfunded defined benefit scheme. Contributions on a “pay-as-you-go” basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional assets value is ascribed to the scheme for the purposes of determining contribution rates.

Under the definitions set out in FRS102, the STSS is a multi-employer pension scheme. The University of Aberdeen is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS102 and has accounted for its contribution as if it were a defined contribution scheme. The scheme is subject to a report by the Government Actuary every five years.

The National Health Service Superannuation Scheme (NHSSS)

NHSSS is a multi-employer defined benefit pension scheme. Historically the scheme has operated on the basis that it is responsible only for the cost of the basic benefits payable to members and their dependents, with the cost of pension increases being met by the Exchequer. However, from 1 April 2004, the cost of pension increases has been met by an increase in the employers' contribution rate. This scheme is also accounted for as if it were a defined contribution scheme.

Additional Pension Payments

Following the merger with Northern College in 2001 the University is responsible for the payment of enhanced pensions to a number of former employees of the College, most of whom have been granted early retirement. An actuarial valuation of the liability was carried out as at 1 December 2001, the date of the merger between the University and Northern College. This valuation revealed a liability of £4,596,000, which was incorporated into the accounts of the University at merger.

An actuarial valuation has been undertaken at 31 July 2021 as follows:

	2021	2020
Discount Rate	1.7%	1.4%
Pension Increases	2.3%	2.0%

In order to maintain consistency with the approach adopted for previous years, all other assumptions, including demographic assumptions adopted are those used for the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS).

Membership statistics for former employees of the Northern College of education in receipt of a pension on 31 July are as follows:

		2021	2020
		£000	£000
Old Scheme	Academic staff	124	132
	Support staff	7	8
New Scheme	Academic staff	103	107
	Support staff	36	38
Total		270	285

Benefits to be valued

The pensions are paid to former employees of the Northern College of Education subject to the following terms:

- Pension increases are in line with statutory increases (currently CPI inflation);
- Spouses' pensions are 50% of members' pensions at date of death;
- Widowers' pensions are payable in respect of females whose pensions commenced after 5 April 1988

	2021	2020
Results	£000	£000
Liability on this basis at 31 July	2,880	3,160

28. Pension schemes - continued

Combined disclosures – Defined Benefit Schemes

The following amounts were measured in respect of UASLAS and SPF and have been recognised in the financial statement1

	2021	2020
	£000	£000
Analysis of amounts recognised in surplus/(deficit) for the year		
Employer service cost	4,589	4,378
Administrative costs	330	330
Net interest cost	543	508
	5,462	5,216
Analysis of other comprehensive income		
Actuarial gains/(losses)	7,210	(19,167)
Return on assets excluding amounts in net interest	12,474	4,175
	19,684	(14,992)
Analysis of amount shown in the statement of financial position:		
Actuarial value of scheme liabilities	(222,989)	(227,787)
Fair value of assets	202,648	189,494
Defined benefit liability at end of year	(20,341)	(38,293)
Analysis of amount shown in the statement of financial position:		
Defined benefit liability at end of previous year	(38,293)	(22,075)
Current service cost	(4,589)	(4,182)
Past service cost	-	-
Net interest charge	(543)	(508)
Administrative costs	(330)	(330)
Employer contributions	3,730	3,990
Planned changes to schemes	-	(196)
Actuarial gain/(loss)	19,684	(14,992)
Defined benefit liability at end of year	(20,341)	(38,293)
Change in scheme assets:		
Fair value of assets at prior year end	189,494	184,931
Administrative expenses	(330)	(330)
Interest income	2,605	4,170
Actuarial gain on assets	14,597	4,175
Employer contributions	3,730	3,990
Scheme participants contributions	127	124
Benefits paid from scheme assets	(7,575)	(7,566)
Fair value on assets at current year end	202,648	189,494

28. Pension schemes - continued

	2021	2020
	£000	£000
Change in actuarial value of scheme liabilities:		
Scheme liabilities at prior year end	227,787	207,006
Employer service cost	4,589	4,182
Interest cost	3,148	4,678
Scheme participants contributions	127	124
Loss on planned changes	-	196
Actuarial (gain)/loss	(5,087)	19,167
Benefits paid from scheme assets	(7,575)	(7,566)
Scheme liabilities at current year end	222,989	227,787

Five-year history of assets and liabilities:	2021	2020	2019	2018	2017
	£000	£000	£000	£000	£000
Deficit in the schemes:					
Actuarial value of scheme liabilities	(222,989)	(227,787)	(207,006)	(185,449)	(189,455)
Fair value of assets	202,648	189,494	184,931	174,699	166,768
Deficit in the scheme	(20,341)	(38,293)	(22,075)	(10,750)	(22,687)

29. Lease obligations

Total rentals payable under operating leases:	2021	2020
	£000	£000
Payable during the year	296	424
Future minimum lease payments due:		
Not later than one year	373	380
Later than one year and not later than five years	381	354
	754	734

30. Subsidiary undertakings

The subsidiary companies, all of which are registered in Scotland, and are wholly owned by the University are as follows;

Company	Principal Activity
Rowett Research Institute Limited	Charitable research company
Aberdeen University Research & Innovation Services Limited	Dormant
King's College Centre Limited	Dormant
Aberdeen University Press Limited	Dormant

The registered address of all University subsidiaries is Commercial House, 2 Rubislaw Terrace, Aberdeen AB10 1XE.

31. Financial instruments

Risk management

The University operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency risk. These financial risks are managed within the parameters specified by the approved treasury management policy. The treasury management policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Service as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is reviewed, updated and approved annually.

The University's principal financial instruments are cash, investments, loans and finance leases. The core objective of these financial instruments is to meet the financing needs of the University's operations and capital investment. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

	Consolidated	University
	2021	2021
	£000	£000
Assets measured at fair value through income or expenditure		
- Amounts included in non-current assets (note 14)	69,821	85,808
- Current asset investments (note 18)	45,000	45,000
Assets measured at cost less impairment (note 17)	20,716	18,609
Liabilities (excluding loans) measured at amortised cost (note 19)	73,578	73,516
Loan commitments measured at amortised cost (note 20)	-	-
- Loans	103,643	103,643
- Finance lease obligations	24,270	24,270

The fair value of financial assets at fair value through income or expenditure, is determined by reference to their quoted bid price at the statement of financial position date.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University. The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2021, the maximum exposure is represented by the carrying value of each financial asset in the statement of financial position.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade ratings assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counter party limits and minimum counter party credit ratings set within the Treasury Management Policy.

Student and commercial debtors are reviewed on an on-going basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both student and commercial customer populations. The University recognises that the risk of non-payment is heightened due to the Covid-19 pandemic and increased the bad debt provision by £0.3m during the year.

Liquidity risk

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities. Cash flow forecasts form part of the University planning process and are revised during the financial year with re-forecasts made as required. The University policy is to maintain an average cash balance equivalent to one month's core payroll and operating costs. Whilst the policy remains unchanged we recognise that these balance may not be achievable in the short term due to the Covid-19 outbreak. Excess funds are invested to maximise the return whilst observing the Treasury Management Policy limits.

The long-term financing of the University has been secured by the private placement, the bank loan facility and finance lease in respect of student accommodation as detailed in note 20.

Foreign currency risk

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the University. The University's principal foreign currency exposure is to the euro. The operating level of euros holding is reviewed on a monthly basis and after accounting for any forecast liabilities any surplus euros above this level are converted into sterling at spot rates.

Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of statement of financial position items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk). The interest rates attached to both the loan facility and private placement are fixed over the term. Due to the low interest rate environment most of the University cash deposits at the 31st July 2021 are on-call as these offer a competitive rate of return whilst offering liquidity. Such deposits have limited re-investment risk.

Financial instruments – fair values

The fair values of each category of the University's financial instruments are the same as their carrying value in the statement of financial position.

PRINCIPAL ADVISORS

Auditor – External	KPMG LLP 319 St Vincent Street Glasgow G2 5AS
Auditor – Internal	PricewaterhouseCoopers LLP 141 Bothwell Street Glasgow G2 7EQ
Bankers	Bank of Scotland 39 Albyn Place Aberdeen AB10 1YN
Legal Advisors	Shepherd and Wedderburn LLP Commercial House 2 Rubislaw Terrace Aberdeen AB10 1XE
Taxation Advisors	Domestic Taxation KPMG LLP 1 Marischal Square Broad Street Aberdeen AB10 1DD
	International Taxation PricewaterhouseCoopers LLP 141 Bothwell Street Glasgow G2 7EQ
Investment Advisors	Goldman Sachs International Plumtree Court 25 Shoe Lane London EC4A 4AU

GLOSSARY

Aberdeen 2040	The University's strategy for the 20-year period from 2020 to 2040.
Aberdeen – Curtin Alliance	The Aberdeen-Curtin Alliance was established in early 2017, combining 500 years of academic strength, history and tradition at Scotland's University of Aberdeen with the ambition and innovation of the rapidly growing Curtin University, based in Perth, Western Australia.
Athena Swan	Charter to encourage and recognise commitment to advancing the careers of women in science, technology, engineering, maths and medicine (STEMM) employment in higher education and research.
Audit & Risk Committee	A committee of Court that provides advice on the effectiveness of the University's procedures for audit, financial control, governance and risk management, and provides assurances in these key areas through its annual report to the Scottish Funding Council, which is approved by Court.
BBSRC	Biotechnology and Biological Sciences Research Council
CMI Pension Mortality projections	Continuous Mortality Investigation – The CMI provides authoritative and independent mortality and sickness rate tables for UK life insurers and pension funds.
The Complete University Guide	The Complete University Guide is a UK-based ranking that assesses UK universities across a broad range of teaching and research indicators.
Covid-19	A new illness that can affect your lungs and airways. It is caused by a virus called coronavirus..
FRS102	Financial Reporting Standard – single set of accounting standards developed by the Financial Reporting Council (FRC) that has replaced UK GAAP.
FTE	Full time equivalent - the hours worked by one employee on a full-time basis. The concept is used to convert the hours worked by several part-time employees into the hours worked by full-time employees.
General Council	Established by the Universities (Scotland) Act 1858 and consists of graduates and certain academic staff.
Governance and Nominations Committee	A committee of Court to advise on matters of governance and conduct reviews of the University's governance on its behalf.
Graduate Outcomes Survey	Graduate Outcomes is the biggest UK annual social survey and captures the perspectives and current status of recent graduates. All graduates who completed a course will be asked to take part in the survey 15 months after they finish their studies. The survey aims to help current and future students gain an insight into career destinations and development.

HERU	Health Economics Research Unit – a health economics research centre that delivers applied and methodological work to inform public health policy.
HESA	The Higher Education Statistics Agency, experts in UK higher education data who collect, assure and disseminate data about higher education in the UK.
HSRU	Health Sciences Research Unit – with a national remit to research the best ways to provide health care and to build capacity in health services research within Scotland.
KPIs	Key Performance Indicators – a measurable value that demonstrates how effectively an organisation is achieving key objectives.
NHSS	National Health Service Superannuation Scheme (UK)
OSCR	Office of the Scottish Charity Regulator – independent regulator and registrar of Scottish charities.
Pension Mortality Tables - SINA [“light”] YoB	Standard Year of Birth mortality tables used for USS pension scheme. Tables are based on Normal Health pensioners.
Policy and Resources Committee	A committee of Court to integrate academic, financial, estate and human resources planning and policy making, advising Court and Senate on long-term strategic objectives; and to oversee the operational performance of the University..
Public Bodies Climate Change Duties (PBCCD) Framework	The duties require public bodies in Scotland to contribute to climate change mitigation and to climate change adaption, and to act sustainably.
QS World University Rankings	The QS World University Rankings is an annual publication of university rankings which comprises the global overall and subject rankings (which name the world’s top universities for the study of 48 different subjects and five composite faculty areas), alongside our independent regional tables (such as Asia, Latin America, Emerging Europe and Central Asia and the Arab Region). The QS World University Rankings is the most-widely read university rankings in the world.
Race Equality Charter	A framework set up by Advance HE through which institutions work to identify and self-reflect on institutional and cultural barriers standing in the way of Black, Asian and Minority Ethnic staff and students
Remuneration Committee	A committee of Court to advise on matters relating to the pay and conditions of senior staff.
RESAS	Scottish Government’s Rural and Environmental Sciences and Analytical Services Division
Risk Management Framework	Conforms to globally recognised standards in risk management and widely accepted best practice.
Scottish Funding Council (SFC)’s Financial Memorandum	Sets out the formal accountability relationship between the SFC and institutions, and the requirements with which institutions are expected to comply in return of payment of grant by SFC.

Statement of Intent on Diversity	Adopted by Court within its membership, which includes a goal of achieving and maintaining female representation of a minimum of 25%, with aspirations to achieve 50% over the longer term.
Stonewall Workplace Equality Index	A benchmarking tool provided by Stonewall for employers to measure their progress on lesbian, gay, bi and trans inclusion in the workplace.
Senate	Responsible for the regulation and superintendence of teaching and for the promotion of research.
SPF	Strathclyde Pension Fund
STSS	Scottish Teachers' Superannuation Scheme
Sunday Times Good University Guide	The Times and The Sunday Times Good University Guide provides students and their parents with an invaluable first reference point on the path to finding a university place. It contains full profiles of all universities.
THE World Rankings	An annual publication of university rankings by Times Higher Education (THE) magazine.
Times Higher Education University Impact Rankings	The Times Higher Education University Impact Rankings are global performance tables that assess universities against the United Nations' Sustainable Development Goals.
UASLAS	University of Aberdeen Superannuation & Life Assurance Scheme
UCEA	The University Council for Educational Administration (UCEA) is a consortium of higher education institutions committed to advancing the preparation and practice of educational leaders for the benefit of schools and children.
UK GAAP	UK Generally Accepted Accounting Principles
University Court	The executive governing body of the University that is charged with the administration and management of the revenue and property of the University.
University of Sanctuary	An award by the City of Sanctuary UK, given to universities in recognition of their commitment to creating a culture of welcome for people seeking sanctuary within, and beyond, their campuses.
United Nations Sustainable Development Goals	17 goals adopted by the United Nations as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.
USS	Universities' Superannuation Scheme

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