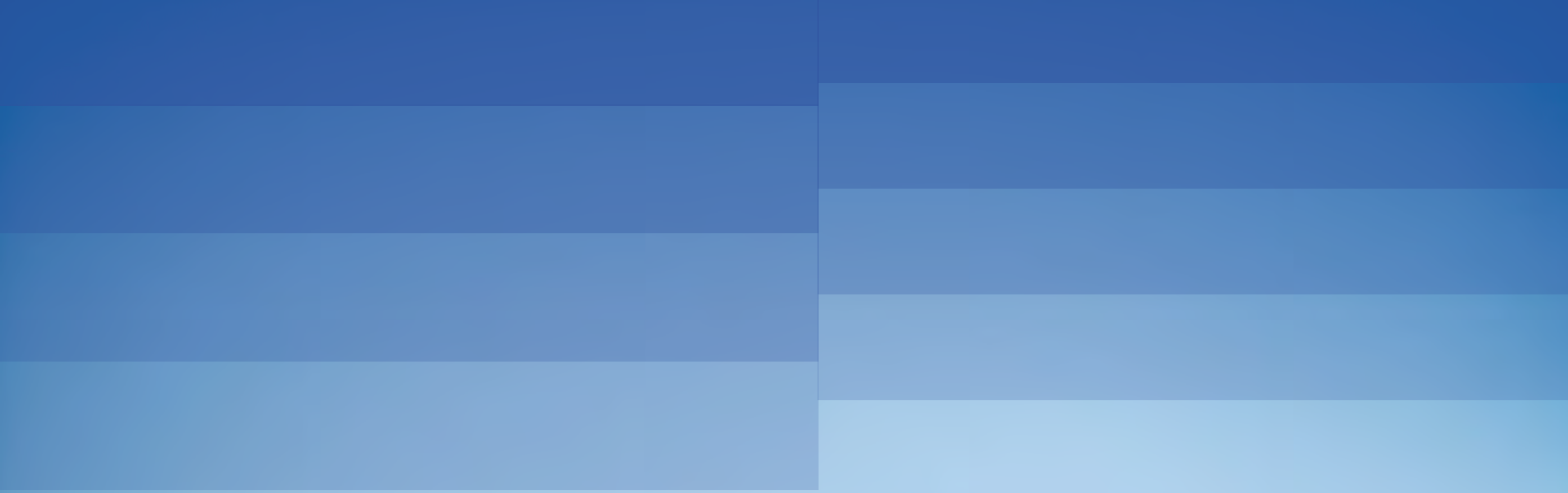


Annual Report

and Accounts 2023





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SENIOR GOVERNOR'S WELCOME



Julie Ashworth

Senior Governor

Aberdeen's distinctive status as one of the UK's oldest universities was underlined when we delivered our loyal address in person to His Majesty, King Charles, in March 2023. It was a striking reminder of the longevity of the institution and the enormous transition that the University has embraced over the five centuries since our foundation and I find myself reflecting on the turbulent times in which we continue to live and work. During its 500-year history, our ancient university has witnessed many events – conflict, political and economic instability, environmental change, technological advances to name but a few – and these themes remain with us today.

Our staff, student and alumni continue to address the many challenges facing the world through the groundbreaking research, outstanding education and nurturing of personal and professional skills which takes place at Aberdeen. I hope you are inspired by the examples of some of these contributions which are outlined within this Annual Report.

Nevertheless, it is inescapable that challenges and difficult decisions are inevitable for all leaders across the world when set against these turbulent times. In particular, it is important to note that the impact of global pressures has been felt at the University as it has in businesses across the globe and in the Higher Education sector more widely. Alongside other partners in the sector and beyond, our financial challenges are (and will for some time remain) considerable. I fully appreciate the pressures and uncertainties faced by our staff, students and executive leadership team as we implement our financial recovery plans and recognise their continuing commitment and dedication to the life and work of our university.

Resilience and institutional confidence depend on strong governance and I remain indebted to my fellow governors on the University Court for their support, wisdom and experience as we support the senior management team in navigating the challenges which we face. It is important to remember that we are not alone in seeking solutions to sector-wide challenges and I remain committed to ensuring that

constructive meetings continue to take place with local political leaders, the Chairs of our neighbouring institutions (North East Scotland College and The Robert Gordon University) and others to maintain governor-level links and encourage joint resolutions to common issues, particularly around student and staff wellbeing and inclusion.

Our Aberdeen 2040 strategy outlines how we will ensure that the work of our university remains locally relevant and globally excellent and our alignment with the United Nations Sustainable Development Goals (SDGs) was recognised in this year's Times Higher Education Impact Rankings where we were ranked 70th in the world and 18th in the UK. Our ongoing commitment and contribution to environmental sustainability is reflective of the collective responsibility of all management and governance leaders within the sector to make every effort to ensure that we lay a responsible path for future generations to follow.

The University continues to play a key role in significant local events encompassing science, arts and wider culture, including the partnership in the new £40million Biohub facility to support innovation in life sciences, the opening of the new Science Teaching Hub building, and on the international stage with Aberdeen music heard by audiences across the globe at the coronation. And, of course, it is important that we recognise the decade-long commitment of Her Majesty The Queen to the life and work of the university as she celebrated her 10th anniversary as our Chancellor.

There has undoubtedly been much to celebrate in 2022/23 – and although the University will continue to face turbulent times as it has done throughout its 500-year history, I am confident that we are well-positioned to continue to move forwards in our purpose of excellence in our core activities of education and research which transforms the world around us.

PRINCIPAL'S INTRODUCTION



Professor George Boyne

Principal and
Vice-Chancellor

The University community can be proud of our collective efforts throughout 2022/23 to move the institution forward in line with our Aberdeen 2040 strategy. Everybody contributed in what was a real team effort once again, and I am very grateful for that.

Our external environment continues to be challenging and, like many other UK universities, we have experienced a reduction in our international student numbers for 2023/24, which will have a significant impact on our finances this year and the years ahead.

Our public funding for teaching and research has been falling in real terms for a decade. In 2022/23, we saw the first part of a cash cut in our Research Excellence Grant funding (REG) from the Scottish Funding Council, totalling £1.9m (following the publication of the REF2021 outcomes). The full reduction of £4.7m has taken effect in 2023/24 and will continue at this level until the next Research Excellence Framework (REF) in 2029. Further cash cuts in public funding for the higher education sector in Scotland for 2024/25 have recently been announced.

To bring the University back to a positive financial position, our Financial Recovery Plan for 2023/24 and subsequent years will address the additional challenges of rising costs, lower public funding and a reduction in our international on-campus student recruitment. Other factors including political, economic, and social developments beyond our control will also need to be taken in account.

We have many opportunities to be innovative in transnational and online education, as well as research and commercial activities. It is vital that we take advantage of every opportunity to raise revenue because the funding context for UK higher education looks set to remain adverse for at least the next few years.

Despite these challenging circumstances for the sector, our University community has much to be proud of. Recent highlights include our global ranking of 12th for international outlook, and our significant contribution to the United Nations' Sustainable Development Goals. The University has also increased its research income by an average of 10% per year over the last two years.

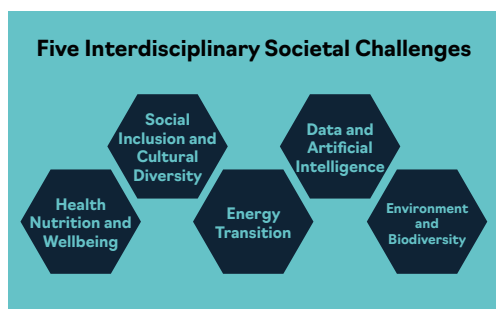
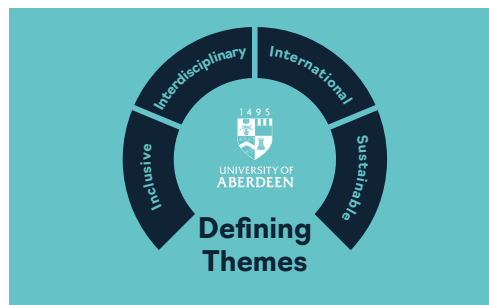
Furthermore, the University has consolidated its ranking as a top 20 UK institution in the Times & Sunday Times Good University Guide 2024 and achieved our highest ever ranking of 12th in the Guardian University Guide 2024 of UK universities.

We are also very proud to have been ranked 2nd across Scotland, Wales and Northern Ireland for overall student satisfaction, and 10th in the UK out of 120 universities, in the National Student Survey (NSS) 2023. This is our third consecutive year in the top 10 of the NSS and I'm delighted that our students continue to recognise and appreciate the commitment of everyone in our University to providing an excellent education and student experience.

ABERDEEN 2040

OPERATIONAL PLAN 2022/23

The academic year 2022/23 was the third year since the launch of Aberdeen 2040, the University's 20-year strategy. The strategy 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". The key ambitions of Aberdeen 2040 are expressed through:



The following sections give an overview of our performance in AY 2022/23 against the commitments made in Aberdeen 2040, compared to the previous year.

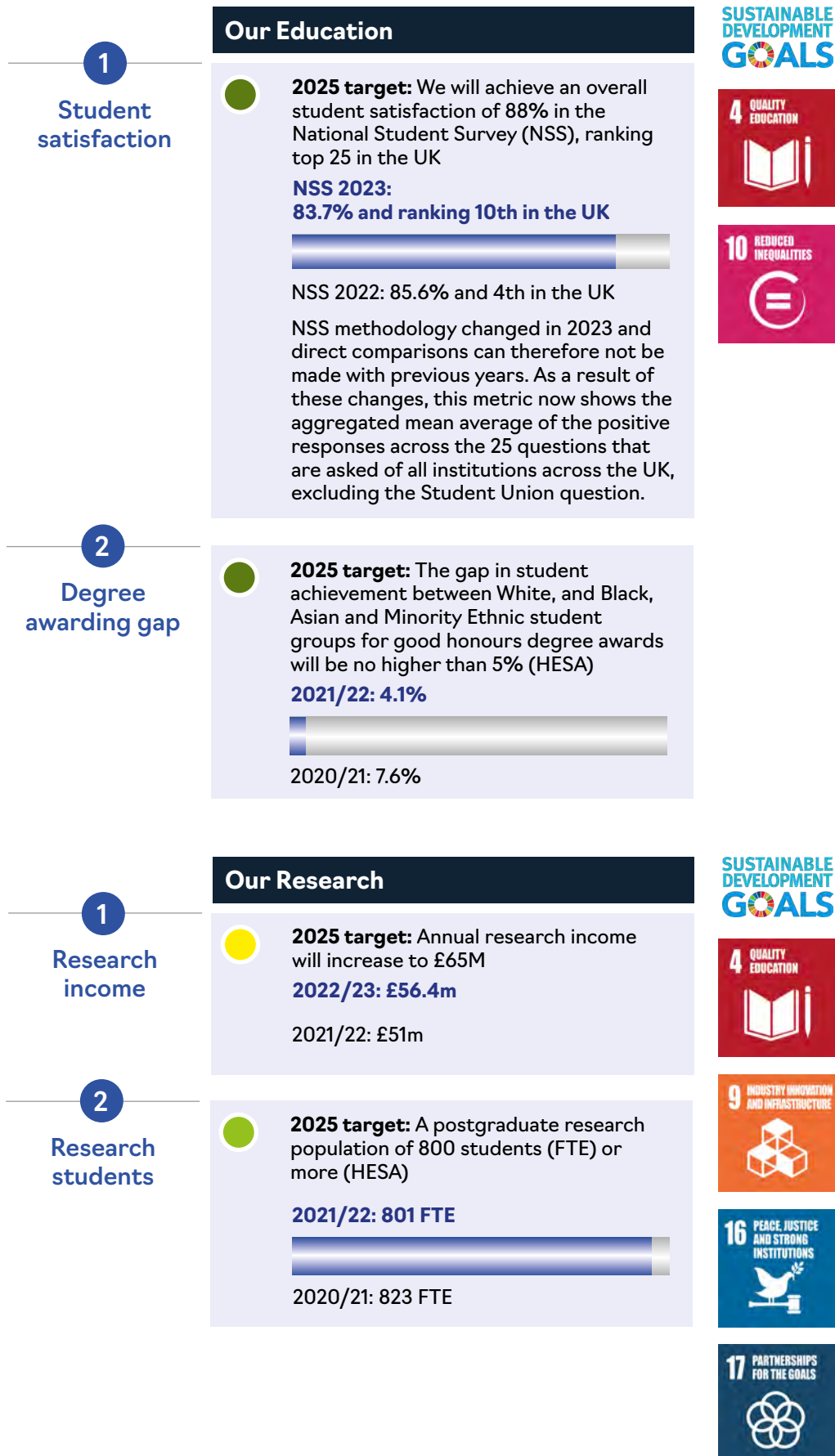
The full Aberdeen 2040 Strategy can be viewed at www.abdn.ac.uk/2040

Key Performance Indicator (KPI) rating key – Likelihood of achieving target by 2025:

- Highly likely
- Likely
- Feasible
- Unlikely
- Highly unlikely
- Year-on-year comparison not yet possible

ABERDEEN 2040

COMMITMENTS AND UPDATE ON PROGRESS



Our Regional Engagement

1

Commercial
income



2025 target: Total commercial income from contract research, consultancy, facilities & services, and CPD will total £23.9M

2022/23: £24.9m

2021/22: £23m



2

Staff
spin-outs



2025 target: Five new companies/spin-outs will be created per year involving staff

2022/23: 0 spin-outs

2021/22: 2 spin-outs



3

Student
start-ups



2025 target: 30 new companies will be created by students per year

2022/23: 15 start-ups

2021/22: 10 start-ups



SUSTAINABLE
DEVELOPMENT
GOALS



STRATEGIC THEMES

SUSTAINABLE DEVELOPMENT GOALS

1 Wellbeing, health and safety

Inclusive

We welcome and support students, staff and partners from all backgrounds, organisations and communities. We value diversity.

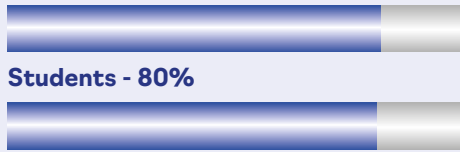
2025 target: 90% of staff and students agree that the University cares about staff and student wellbeing (biennial Staff and Student Surveys)

2022/23:

Staff - 81%

Students - 80%

2020/21: Staff 84%, Students 81%



2 Widening access

2025 target: 10% of our full-time first-degree entrants will come from the 20% most deprived backgrounds

2022/23: 7.0% (provisional)

2021/22: 7.9%

The University remains fully committed to supporting the Scottish Government strategy to widen access to higher education. Owing to unique socio-economic and geographical constraints, the current SIMD metric is not a very reliable measure of deprivation in the North-East of Scotland. The University is therefore working with sector stakeholders to develop alternative measures that more accurately identify socioeconomic inequality in our region.



3 National and international research collaboration

2025 target: 70% of our research awards will be with non-university partners

2022/23: 70%

2021/22: 69%



4

Equality, diversity and inclusion



5

Pay gap

Inclusive ctd.



2025 target: The University will have achieved a Race Equality Charter Bronze Award, all Schools will have applied for Athena Swan Silver Award, the University will have been awarded a Stonewall Workplace Equality Index (WEI) Bronze Award and ranked a Top 100 employer, and will have been awarded a University of Sanctuary status.

2022/23:

Race Equality Charter:

Member Status, Bronze application progressing

2021/22: *Member status, Bronze application progressing*

Athena Swan:

4 Schools with Silver Award

2021/22: *1 School with Silver Award*

Stonewall:

Activity paused in 2022/23

2021/22: *Silver Award*

University of Sanctuary:

Application process paused

2021/22: *application submitted*



2025 target: A median gender pay gap of 17% or lower (Scottish Government Gender Pay Gap Guidance)



2022: 16%

2021: 19.4%



Interdisciplinary

We innovate in education and research by generating, sharing and applying new kinds of knowledge. We learn together.

6 Interdisciplinary learning

2025 target: 85% of staff and students are satisfied with opportunities for exchange of ideas across intellectual areas and organisational structures (Staff and Student Surveys)

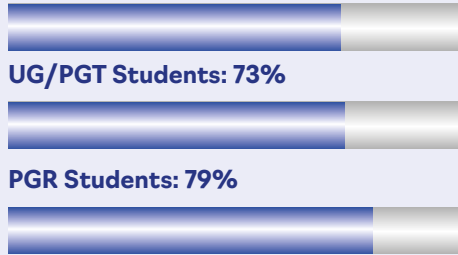
2022/23:

Staff: 72%

UG/PGT Students: 73%

PGR Students: 79%

2020/21: Staff: 79%
UG/PGT Students: 88%
PGR Students: data not collected



7 Interdisciplinary and innovative challenge-led education

2025 target: An average top 25 ranking across all relevant questions in the National Student Survey (NSS) relating to whether our courses are intellectually stimulating, challenging, and whether they offer opportunities to bring information from other topics, and to apply the learning.

NSS 2023: 16th in the UK

NSS 2022: 26th in the UK

NSS methodology changed in 2023 and direct comparisons can therefore not be made with previous years. In NSS 2023, the question on opportunities to apply learning was removed from the questionnaire, and the University's calculation of this metric has therefore been adjusted accordingly.



8 Interdisciplinary community interactions

2025 target: 40% of research outputs are with university author/co-author assigned to more than one broad research area (Web of Science)

2022: 38.5%

2021: 34.4%



9

Partnerships that deliver imaginative solutions to societal and industrial challenges

Interdisciplinary ctd.

2025 target: Ranking top 40 globally and top 10 in the UK (Times Higher Education (THE) Impact Rankings)

THE Impact Ranking 2023

70th in the World

18th in the UK



2022: 101-200 in the world and 21st -40th in the UK.

10

Digital and physical infrastructure

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

2022/23:

Staff: 68%

Students: 70%

2020/21: Staff: 74%, Students: 80%

11

International education

International

We connect with others, and extend our networks and partnerships around the world. We think across borders.

2025 target: 25% of our total student population will be international

2022/23: 29.2%

2021/22: 27.4%

2025 target: We will surpass our sector benchmark for diversification of the student population (the proportion of our student population from outwith the three largest international source markets)

2023: University of Aberdeen: 50%
UK benchmark: 42.6%

2022: University of Aberdeen: 47.9%
UK benchmark: 47%

SUSTAINABLE DEVELOPMENT GOALS



International ctd.

12

Global employment



2025 target: Top 25 rank in the UK for the proportion of graduates who entered graduate level employment or further study within 15 months of completing their studies (Times & Sunday Times Good University Guide)

2023:

45th in the UK (79.2%)

2022: 33rd in the UK (79.9%)



13

International research partnerships



2025 target: 70% of research outputs will be published with international co-authors, with the University ranking top 60 in the world and top 10 in the UK (CWTS Leiden Rankings)

2023: 71%

91st in the World

11th in the UK

2022: 69%, 86th in the world and 11th in the UK



14

International student experience



2025 target: 5% of our students will undertake international study abroad

2023: 1.66%



2022: 1.66%

15

A caring environment



2025 target: 90% of staff and students agree that our campuses and processes create a caring environment that is alert to cultural differences (Staff and Student Surveys)

2022/23:

Staff: 84%



Students: 82%



2020/21: Staff: 87%, Students: 94%



Sustainable

We understand and nurture our environment, and take care of our resources, including our people and our finances. We work responsibly.

16

Sustainable living

2025 target: 40% reduction in Scope 3 business travel emissions from 2018/19 baseline

2022/23: 37.7% reduction from baseline



2018/19 = 4,166 tCO₂e (baseline)
2022/23 = 2,594 tCO₂e

Comparison with either 2021/22 or 2019/20 is meaningless as major travel restrictions were in place both years.



17

Protecting the environment

2025 target: 60% of students agree that they receive appropriate education on environmental sustainability (NSS)

NSS 2023: 58.3%



NSS 2022: 55.2%

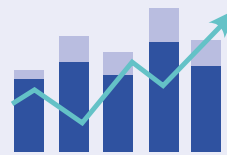


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Climate research

2025 target: At least 400 research outputs will address climate change and biodiversity linked to the United Nations' SDGs (SDGs 7, 11, 12, 13, 14 and 15)

2022: 691 outputs



2021: 385 outputs

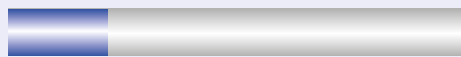


19

Achieving Net Zero before 2040

2025 target: 25% reduction in combined Scope 1 & 2 carbon emissions from 2019/20 baseline

2022/23: 21.9% reduction from baseline



2019/20 = 17,744 tCO₂e (10,085 Scope 1 + 7,659 Scope 2) (baseline)

2022/23 = 13,859 tCO₂e (9,701 Scope 1 + 4,157 Scope 2)

There was a slight rise on 2020/21 which is explained by an increase in the carbon intensity of grid electricity (Scope 2) which increased for the first time in years due to a reduction in the UK's renewable output and increased output from gas power stations to compensate. Changes to fuel mix also resulted in increased carbon intensity of purchased steam (Scope 2).



Financial sustainability

Sustainable ctd.

2025 target: We will meet or exceed revenue growth and operating surplus performance of our benchmark group

2022/23: 2.8% growth on last year (underlying surplus £0.4m)

2021/22: 11% growth on previous year (underlying surplus £6.97m)

League Tables

Reputation

2025 target: We will consistently achieve a top 25 ranking in the UK in each of the following five league tables: Times & Sunday Times Good University Guide, Complete University Guide, Guardian University Guide, QS World University Rankings and Times Higher Education World University Rankings (THE)

	Year of Issue	
	2023	2022
Guardian	12th	13th
Times & Sunday Times	19th	19th
THE (UK)	26th	25th
QS (UK)	29th	27th
Complete University Guide	35th	37th

Sustainability Report

With our Aberdeen 2040 strategy now well established, progress towards the embedding of sustainability continues on many fronts. 2022/23 has seen considerable effort to improve our emissions reporting, enhance our engagement with staff and students, showcase our institutional contribution to the United Nations' Sustainable Development Goals, and to develop an institution-wide approach to net-zero that reflects the pressing urgency of the twin climate and nature emergencies.

In January 2023, we welcomed the then Queen Consort, Camilla to an event in the new Science Teaching Hub. As well as providing an opportunity to visit this exceptional new facility and to meet with various local school pupils, the event's sustainability focus allowed the Queen to meet with staff and students involved in research, student campaigns, and those supporting our operational endeavours.

The United Nations' Sustainable Development Goals (SDGs) continue to inform our whole-institution approach to sustainability. Our annual SDG Reports, launched annually in November, collate stories from all parts of the institution, including cutting edge research and education, student activism, and operational developments. The latest report provided a compelling insight into the breadth of contributions being made by our community across these complex and urgent global challenges.

The 2023 Times Higher Education Impact rankings, based on the SDGs, saw a significant improvement in our global position, as well as some exceptional performances in individual SDGs. Overall, the University ranked 70th globally and 18th in the UK, with SDG 17 "Partnership for the Goals" ranking us 1st in the UK and 4th globally. Strong performances in several SDGs, with all 17 in the top quartile globally, represented a very positive result. Also in 2022/23, the first QS Sustainability ranking was published in late 2022, with the University ranked 64th globally and 17th in the UK. This new assessment, based on environmental and social impact, notably highlighted the University's contribution to sustainable education, where Aberdeen was ranked 13th globally and 2nd in the UK. This was further reinforced by the main QS World Ranking for 2024 which saw the University ranked 4th in the UK and 21st globally for sustainability.

As part of an effort to engage our student and academic community more directly in discussion of our sustainability commitments, we launched our inaugural Climate and Sustainability Assembly programme with a biodiversity themed event in March 2023. These events are designed to enable staff and students from around the University to come together to share their thoughts on aspects of sustainability, with the explicit intention of informing policy and directing visible action on campus.

The biodiversity event saw over 50 staff and students gather to discuss and inform opportunities to enhance our campuses and improve our nature-positive credentials. Subsequent work has included habitat mapping of our grounds, changes in the management of some greenspaces to encourage biodiversity and plans to develop a new policy and action plan that will focus effort on restoring biodiversity on our campus.

A further Assembly to galvanise and encourage a campus-wide focus on the greening of our laboratory practices took place in the autumn of 2023, and will support action to reduce laboratory waste, improve energy efficiency, and instil more sustainable approaches to the conduct of experiments and practicals.

In operational terms, the establishment of a new Sustainability team in the Estates & Facilities directorate has catalysed several areas of activity, including the Assemblies, but also notably around the ongoing development of a net-zero strategy. A dedicated Working Group is taking forward the considerable task of developing a comprehensive, institution-wide approach to net-zero and is aiming to finalise this process in 2023/24.

The work of our Sustainable Heating Programme Board continues, with an options appraisal underway that is designed to inform recommendations for the decarbonisation of the heating networks on our Old Aberdeen and Hillhead campuses. Work to progress net-zero projects also continues, with the establishment of a Project Board to take forward the replacement of the heat distribution network at our Hillhead residential site, as well as work to modernise heat centres across our Old Aberdeen network and to install a thermal store

to improve the network's efficiency. With the recent establishment of a Board to support 'Re-imagining the Campus', the University has embarked on a process to envision the long-term future of our Campuses, including how net-zero will shape our estate.

In this context we acknowledge the work co-ordinated by AUDE (Association of University Directors of Estates) on the cost of net-zero. This work has provided institutions with a tool to estimate the scale of investment required to achieve net-zero and we are using this tool to support dialogue on how best to embed net-zero investment into long-term financial planning.

For 2022/23 we have again embraced the expectation that we expand our statutory reporting of so-called Scope 3 emissions under our Public Bodies Climate Change Duty. These 'indirect' emissions relate to a variety of activities, in particular the procurement of goods and services, and staff and student travel. In 2021/22 we took the step of including procurement emissions for the first time, and in 2022/23 we will enhance our reporting further by including several new emissions categories, most notably emissions associated with student travel from around the world to study in Aberdeen, which in 2022/23 came to 13,799 tCO₂e. While this best practice approach considerably increases our reported emissions, this expansion is in line with expectations on public bodies to improve the granularity of their reporting. The collation and publication of a comprehensive range of emissions data via a user-friendly online platform has also contributed to reporting transparency by making our emissions data widely available online.

As part of improving our emissions reporting, we acknowledge the exceptional work of an intern who developed an emissions tool for us, and which is now being widely used by the sector. In a project undertaken as part of the successful Intern Plus scheme, an undergraduate Engineering student developed an innovative emissions calculation tool for the emissions impact of students travelling from around the world to study in Aberdeen. Such is the sector's demand for improved emissions reporting, this tool has since been adopted and promoted in the UK as a best-practice resource by the Environmental Association for Universities and Colleges, while the student herself has been approached to develop a similar tool for Australian universities.

The year has also seen recognition for our sustainability research, with a variety of projects recognised or shortlisted for prestigious awards. In late 2022, we received multiple nominations in the 'Research with Impact' category at the annual Green Gown awards, with four Aberdeen projects shortlisted. The Cool Farm Tool, a greenhouse gas calculator for farmers, won the award, while the University's Lighthouse Field Station was highly commended for its work on renewable energy and marine wildlife. Two further projects have been shortlisted in the 2023 edition of the Green Gowns, including the work of Professor Azizul Islam on the Bangladeshi garment industry and the hidden costs of fast-fashion, with this work also shortlisted for the Times Higher Research Project of the Year.

Across our five interdisciplinary research themes, we continue to pursue research that addresses the challenges set down by the SDGs. We work from local to global, including focused research on Just Transitions for workers and communities in Aberdeen, sub-sea storage of hydrogen in the North Sea, rural attitudes to solar PV in the UK, and protecting marine biodiversity by understanding intellectual property rights on the high seas.

Sustainability thinking has also extended into our co-curriculum endeavours, with a new set of graduate attributes being developed that will see sustainability feature alongside global citizenship, and inclusivity as part of a cluster of skills that encourage our students to be active citizens. We are also opening campus wide discussions and sharing of experience around sustainability in the curriculum and integrating education across the SDGs.

In summary, 2022/23 is a year in which we have seen the further maturation of our emissions reporting, the establishment of structures to encourage sustainability engagement with our staff and student communities, welcome recognition of our research impact, and gratifying league table performances linked to sustainability and the SDGs. The AUDE report has meanwhile, served a valuable role in flagging for the sector the considerable scale of the operational and financial challenges ahead. Tackling these and other related sustainability issues will continue apace in 2023/24 as we seek to further encourage our staff and student communities to recognise and address the sustainability challenges we face.

**Professor Karl Leydecker,
Senior Vice-Principal**

Education

Collaboration and compassion in education was the theme which united university colleagues from around the world in Aberdeen in June.

The University was delighted to host the Higher Education Teaching and Learning Conference (HETL) and it proved a fantastic platform to consider ways to advance the scholarship and practice of teaching and learning in higher education.

Collaboration and compassion underpins our own Aberdeen 2040 strategy and the conference themes of Inclusive, Interdisciplinary, International and Sustainable dovetail with the commitments we have made to excellence in our education.

HETL provided a unique opportunity to consider best practice around the world and to learn from other institutions – as well as to share our own experience – as we build higher education to support future generations.

Bringing together colleagues with such a broad range of experiences across the global sector here in Aberdeen highlighted the importance of cooperation and the benefits of learning from each other.

But this partnership approach does not just apply between institutions. Aberdeen's strong performance in the National Student Survey (NSS) – a key sector survey – demonstrates the success of a partnership approach within our community, with students and across Schools and Directorates.

The University enjoyed a third year of outstanding performance in the NSS coming 10th in the UK for the average score across all NSS indicators and scoring highly again for overall satisfaction in second place across Scotland, Wales and Northern Ireland (English universities were not assessed on this measure). Other positive outcomes include top placings for both IT resources and facilities and for giving students the opportunity to provide feedback on their courses.

We continually endeavour to improve student experience and to enhance our resilient learning communities. Supporting this work is our Quality Assurance Agency Enhancement Theme, led by Professor Steve Tucker, now in its third year.

In May we brought together 179 delegates from the University and beyond at our Academic Symposium for the Enhancement Theme. The Symposium combined keynote, workshop and panel sessions and focused on compassionate assessment which were delivered by external experts Prof Sally Brown and Prof Kay Sambell. Parallel sessions explored co-creation of learning experiences, academic integrity, the learning and teaching enhancement programme and feedback and assessment.

Externally we received the results of the 2023 Quality Enhancement and Standards Review by the Quality Assurance Agency Scotland which stated that the review team is 'confident that the University of Aberdeen is making effective progress in continuing to monitor, review and enhance its higher education provision to enable effective arrangements to be in place for managing academic standards and the quality of the student learning experience'.

We were particularly pleased that the Review Team recognised and commended a number of areas of good practice including our inclusive approach to blended education, and our approach to student partnership. Schemes such as our paid internship programme have amplified student voices in several key workstreams including the Delivery of Education and Decolonising the Curriculum. We now look forward to working with our student community to take forward further enhancements as we reflect on the findings.

The development of a set of resources to support colleagues across the University in decolonising the curriculum is now complete and we are delighted to see progress in the degree awarding gap between White students and those from Black, Asian and Minority Ethnic backgrounds which has seen a welcome reduction this year. We remain committed to further progress.

Another area on which we have focused our attention is Assessment and Feedback, in line with last year's National Student Survey, and the University has piloted TESTA (Transforming the Experience of Students Through Assessment) methodologies.

Through this we aim to enhance the student learning experience by increasing student engagement through more varied assessment and feedback approaches which will help facilitate student engagement with deeper learning, identify areas of over-assessment, enhance efficiency, and improve student and staff assessment experiences.

While the best learning experience possible for our students while they are with us is essential, we are also committed to ensuring they are fully equipped for the next stage of their lives.

Our 2040 Graduate Attributes and Skills workstream provides renewed focus on what it means to be a student at the University and what attributes and skills students will acquire throughout their studies, preparing them for global employment.

The Aberdeen 2040 Graduate Attributes and Skills will support our students in skills development, recognition, reflection and documentation and we are working with the employers, alumni and other stakeholders to ensure our graduates have the necessary skills, from international awareness to problem solving, to management and digital skills, to thrive in the diverse workplaces of the future.

We remain driven by our 2040 commitment that 'our Education aims to be among the very best in the world, enabling our students to grow as independent learners, to achieve their full potential and succeed whatever their personal and social background, their mode of delivery and location, and to be equipped for global employment'.

**Professor Ruth Taylor,
Vice-Principal Education**



Research

Our Aberdeen 2040 strategy commits us to undertake impactful research which is globally excellent and locally relevant. One of the key commitments in Aberdeen 2040 was to establish interdisciplinarity at the heart of our research, to combine ideas and approaches across our areas of excellence to address the complex issues of our time.

Five interdisciplinary centres have now been established which will address major global issues – data and artificial intelligence (AI); environment and biodiversity; energy transition, health and nutrition and social inclusion and cultural diversity - the centres are now co-located in a dedicated interdisciplinary hub on campus.

This year we started the recruitment of twenty interdisciplinary fellows and the first cohort of interdisciplinary PhD students to support our interdisciplinary venture. Many of them have now started providing an exciting and vibrant programme of research in major topics such as food security, artificial intelligence, and the influence of behaviour on biodiversity working with key stakeholders both regionally, nationally and internationally.

We have also been successful in attracting major research funding through adopting an interdisciplinary approach including a £5.3m NIHR-funded research grant funded jointly with Aberdeen City Council to explore determinants of health, and almost £1m from Wellcome to explore the potential of plant-based foods in real-life sustainable diets.

However we face additional challenges through the reduction of the Research Excellence Grant received from the Scottish Funding Council (£1.9m in 22/23) as a result of the REF2021 results and are now working to rebuild research capacity focussing on our Aberdeen 2040 vision.

Enhancing our research environment is continuing with work ongoing on enhancing research culture, support and training for our post-graduate research students, enhanced research time recognition in our workload model, and the launch of a major new institutional research leave scheme. We have also invested in improving our research infrastructure with the launch of new systems and processes to support rigorous research integrity including a new system for ethics approval of research.

Aberdeen 2040 commits to research which addresses the climate emergency, enables energy transition and the preservation of biodiversity and this contributed to a significant climb in the Times Higher Education (THE) Impact Rankings, which recognises universities for their work under the United Nations' 17 Sustainable Development Goals (SDGs), with Aberdeen now 18th in the world.

This means the University now ranks in the top 70 in the world and top 20 in the UK in both the THE Impact Rankings and the QS Sustainability Rankings.

This year we held a special ceremony to celebrate the life of a University lecturer who epitomised our commitment to undertake research with impact – Professor John Mallard, following his death aged 94. A pioneer of both MRI and PET scanning, the work of his team changed the course of medical history, developing the first full-body MRI scanner, and its impact can today be seen in medical treatment around the world. The celebration event held in his memory also brought into focus the work that continues in Aberdeen to push boundaries in medical imaging with the development of the world's first Field Cycling Imaging scanner, which is due to be operational and scanning patients within a new dedicated suite at Aberdeen Royal Infirmary later this year.

Research with local relevance which is also globally excellent has led to pioneering genetic testing on Orkney as a result of pioneering work by Professor Zosia Miedzybrodzka. She led research which discovered a link between a variant in the gene BRCA1 – known to significantly increase the risk of developing breast and ovarian cancer - and the Orkney outer isle of Westray. This important pilot study could not only save lives in Orkney but demonstrates the value of population studies, earning Professor Miedzybrodzka international headlines and a national award as a 'Science Pioneer'.

The significance of understanding how our heritage impacts life today was also recognised in one of several successful major research grants awarded this year. Archaeologist Professor Kate Britton secured £1.7million of funding after being selected for a European Research Council (ERC) Consolidator Grant award. She will work with a team of international collaborators using ecological and archaeological science techniques to begin piecing together the evidence that humans were living in Scotland millennia before widely accepted versions of the nation's history.

With University research on an upward trajectory and the interdisciplinary venture now fully established, I finished my six year term of office as Vice-Principal (Research) at the conclusion of the financial year. Professor Nicholas Forsyth, who has joined us from Keele University, will now drive forward our research strategy, bringing his extensive experience to inspire and support the University community to make world-leading contributions to knowledge and practical impact.

**Professor Marion Campbell,
Vice-Principal Research**





STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL



The University of Aberdeen (the University) is committed to upholding the standards of corporate governance relevant to the higher education sector and the specific needs of the institution.

This statement describes the manner in which the University has applied the principles set out in the 2017 Scottish Code of Good Higher Education Governance (the Code). The University is aware that a revised Code is due to be implemented in the 2023/24 academic year and is confident it will be adopted fully within the next reporting period.

In the opinion of the University Court (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. As a consequence, the University's governing instruments established or overseen by external bodies include that Papal Bull, legislative Acts and statutory instruments (primarily the Universities (Scotland) Acts 1858 – 1966 and the Higher Education Governance (Scotland) Act 2016) and by the Ordinances, made under these Acts. In addition, internal administrative arrangements covering governance can be introduced, altered and revoked by using the mechanisms provided via the power of resolutions.

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. Furthermore, 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 (registration number SC013683). The charitable aims of the University as registered with the regulator are:

- the advancement of
 - higher education,
 - health,
 - citizenship or community development, and
 - the advancement of the arts, heritage, culture or science.

The 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 legislation, ordinances and resolutions of Court, mentioned above.

Court is the 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. 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, is convened by the Principal and 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 consider questions affecting the well-being and prosperity of the University. Members of General Council are comprised of: all graduates; during their tenure – Chancellor, members of Court, Professors, Readers and Lecturers who have been in post for more than 1 year; former Professors and members of Court; and former Readers and Lecturers in post at the University before retirement.

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.

Additionally, to promote transparency and accountability, there is an annual stakeholder meeting for Court to provide an update on performance and other activities to engage with key stakeholders. These can include General

Council meetings and regular networking and formal engagement with interested parties within the sector and beyond.

The Governing Body, its Statement of Primary Responsibilities

In accordance with the provisions of the Universities (Scotland) Acts and the Higher Education Governance (Scotland) Act, the composition of Court is established by ordinance. It consists of 25 members and has a majority of independent members as recommended by the Code.

The membership of Court for the period in question was as follows along with their attendance at Court in [square] brackets:

Rector

Ms M Chukwuma-Ezike [5/5]

Principal

Professor G Boyne [5/5]

Senior Governor

Ms J Ashworth [5/5]

Assessors: Senatus

Professor J Schaper [4/5]

Dr D Skåtun [5/5]

Professor N Vargesson [5/5]

Professor A Bryzgel (to 31.08.22) [0/0]

Dr I Xypolia (from 03.10.22) [5/5]

Elected Academic Staff Member

Dr M Mills (to 31.10.23) [3/5]

Elected Professional Services Staff Member

Mr N Edwards (to 31.10.23) [5/5]

Academic Trade Union Nominee

Dr H Martin [5/5]

Non-Academic Trade Union Nominee

Mr O Cox [5/5]

President, Students' Association

Ms V Mabonso Nzolo [5/5]

Second Students' Association Nominee

Mr C Torres-Barragán (to 30.06.23) [5/5]

Ms S Shraddha S. Viswanathan (from 01.07.23) [0/0]

Independent Members

Mr K Anderson (to 31.07.23) [3/5]

Dr C Backwell (Senior Independent Member from 02.11.22 to 22.09.23) [3/5]

Ms E Bentley [5/5]

Mr I Mackay [2/5]

Mr G McRae (Senior Independent Member to 05.10.22) [5/5]

Ms L Menzies [5/5]

Ms C Miller [5/5]

Ms A Minto OBE [4/5]

Mr I Percival (to 30.09.23) [5/5]

Ms C Pope-Williams [5/5]

Mr O Thoresen [4/5]

Dr R Traynham [5/5]

The following members were appointed after the end of the financial reporting period of 31 July 2023:

Mr M Barker (from 01.11.23)

Mr I Grant (from 01.11.23)

Mr L Halliday (Senior Independent Member from 29.02.24)

Ms A Rankin (from 01.10.23)

Ms Ufere (from 01.10.23)

Governor Apprentice

Court is committed to creating a diverse and inclusive governing body. Given the complexity and need to be seen to be diverse, Court agreed to appoint a Governor Apprentice. Our aim was to help shorten the timeline to creating a truly representative Court by creating a talent pipeline of individuals from underrepresented backgrounds who have the requisite experience to join a board. Our commitment to having a Governance Apprentice seeks to make a small contribution to addressing that issue.

The Governor Apprentice role provides the opportunity to shadow the University Court for one year, offering the skills, insights, and networks that will build a solid foundation for future board roles. The individual will leave understanding the role of the non-executive charity trustee.

From 1 September 2022 the University Court agreed to appoint a Governor Apprentice, who attended Court and its development activities, but not any of its committees. The role-holder is not a member of Court, but is included here for completeness. The Governor Apprentice for the period covered by this statement was Mr D Evans.

Court has adopted a Statement of Primary Responsibilities and routinely undertakes a wide-ranging review of its effectiveness against sector guidance and the details of the most recent of these are provided further below.

The University maintains details of interests for members of Court, lay members of Court committees and of members of senior management team, and these can be found on the University's website. A revised approach to recording and maintaining conflicts of interests, loyalty, gifts and hospitality was approved by Court in June 2023 and is being rolled out for the new academic year. As a matter of course, 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. Records of governor attendance at these events are held to inform annual review discussions, committee compositions and other governance and development activity to support the effectiveness of the University.

Respective roles of the Rector and Senior Governor

The Rector is elected by the student body for a period of three years and under statute is the ordinary president of Court.

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 that protocol in September 2021 and it is deemed to continue to be appropriate. It will be reviewed in the next 12-18 months

as we approach the requirement for the election of a new Rector.

Senior Officers

The Principal, who is an ex officio member of Court, convenor of Senate (under delegations from Court) and 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 Accountable 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 into consideration the terms of the Financial Memorandum in all its decision making.

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

Review of Governance

Following Court's decision to implement recommendations arising from an independent externally-facilitated review of governance in 2021/22, the University has been implementing those recommendations. During the year significant progress has been made to embed the practices introduced in the previous year, including the first year of a new committee structure.

Furthermore, on the recommendation of the Governance and Nominations Committee, Court approved the adoption of a revised three-tiered approach to internal effectiveness reviews for individuals, Court and its committees and the governance arrangements as a whole. The first phase of implementation included:

- a review and revision of those matters reserved to Court and those that can be delegated, this has resulted in a formal scheme of delegation (which can be found on the website)
- formal observations of a meeting of both the Finance and Resourcing Committee and Court in June 2023
- a facilitated discussion and self-reflection of Court's effectiveness at its June meeting.

Corporate Strategy

Court is responsible for approving the University's strategic direction and monitoring progress on the delivery of its objectives. The Financial Review on page 47 reports on the University's financial performance during 2022/23, and progress against strategic targets is provided on page 6-14.

Key committees of Court

As noted above, in 2022/23 a new Court committee structure was introduced.

Court meets at least five times each year and retains overall responsibility for the University. However, in accordance with good governance practices a formal schedule of functions delegated to committees and individuals has been written and approved. This informs the terms of reference of many governance and executive committees.

The work of Court is supported by five committees:

- Audit and Risk Committee
- Commercialisation Committee
- Finance and Resourcing Committee
- Governance and Nominations Committee
- Remuneration Committee

Further details of the work of these committees can be found on the University website, with an overview below.

During the period of the pandemic, Court and its committees, like most organisations, met virtually. The impact of the pandemic is that many of Court and its committee meetings are 'hybrid', with most attendees located in one physical space and others joining remotely. The University has adopted a requirement for committees to hold one meeting each year in person.

There has been no significant disruption to the business of Court or its committees during the reporting period and no significant changes to the governance framework have been required by Covid-19.

All of the Court's committees are formally constituted with terms of reference available on the University website and all are chaired by independent members of Court.

The main remit of each of those committees and their membership during 2022/23 are detailed below.

Audit and Risk Committee

The remit of the committee covers:

- internal and external audit - oversight of the work of internal and external audit, advising Court on the appointment, qualifications, expertise, independence and performance of those teams
- financial control - review the effectiveness of the University's systems for financial control and respond to any alleged financial irregularities or fraud
- financial reporting - review the content of the Annual Report and Accounts and advise Court on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for stakeholders to assess the University's performance, strategy and sustainability
- risk management - advise Court on the adequacy of the approach to risk management (including academic risk) and maintain oversight of the strategic risks facing the University
- governance and compliance - ensure compliance with the mandatory requirements in SFC's Financial Memorandum and Public Interest Disclosure arrangements.

The composition of the committee from 1 August 2022 to 31 July 2023 was as follows, attendance percentages are in [square] brackets:

Chair

Ms E Bentley [5/5]

Independent members of Court

Mr K Anderson [2/5]

Ms C Miller [5/5]

External independent lay members

Mr L Halliday [5/5]

Mr K Reynard (from 01.11.22) [4/5]

Ms R Yaktal (from 01.11.22) [4/5]

Following the review of Court and its committees in the summer of 2023, changes were made to the composition of the committee, with the resulting membership as follows:

Chair

Ms E Bentley

Independent members of Court

Mr L Halliday

Ms C Miller

External independent lay members

Mr K Reynard

Ms R Yaktal (to 01.03.24)

Mr S Porteous (from 01.04.24)

Commercialisation Committee

The Commercialisation Committee was established in September 2022 to oversee the development and resource requirements of the University's strategic approach to commercialisation of research and innovation.

The composition of the committee from September 2022 to July 2023 was as follows, attendance percentages are in [square] brackets:

Chair

Mr O Thoresen [3/3]

Rector

Ms M Chukwuma-Ezike [1/3]

Senior Governor

Ms J Ashworth [3/3]

Staff elected

Dr M Mills [1/3]

Elected Senators

Professor N Vargesson [3/3]

Independent Members of Court

Mr G McRae [3/3]

Mr I Mackay [1/3]

Mr I Percival [3/3]

Ms C Miller [2/3]

Following the review of Court and its committees in the summer of 2023, changes were made to the composition of the committee, with the resulting membership as follows:

Chair

Mr O Thoresen

Rector

Ms M Chukwuma-Ezike

Senior Governor

Ms J Ashworth

Staff elected

Dr M Barker

Elected Senators

Professor J Shaper

Independent Members of Court

Ms C Miller

Mr G McRae

External co-opted member

Mr G Steel (from 01.04.24)

Mr G Yule (from 01.04.24)

Finance and Resourcing Committee

The main remit of the committee is to oversee the University's financial affairs (including planning and resourcing, financial management and investments) with a focus on ensuring that University's approach to revenue, resource and capital planning mature in support of Aberdeen 2040.

The composition of the committee from August 2022 to July 2023 was as follows, attendance percentages are in [square] brackets:

Chair

Ms A Minto [5/5]

Senior Governor

Ms J Ashworth [5/5]

AUSA nominated

Mr C Torres-Barragan [4/5]

Staff elected

Mr N Edwards [5/5]

Elected Senator

Dr I Xypolia [5/5]

Independent Members of Court

Mr G McRae	[5/5]
Ms L Menzies	[4/5]
Dr R Traynham	[4/5]
Ms C Pope-Williams	[3/5]

Following the review of Court and its committees in the summer of 2023, changes were made to the composition of the committee, with the resulting membership as follows:

Chair

Ms A Minto

Senior Governor

Ms J Ashworth

AUSA nominated

Ms V Mabonso Nzolo

Trade Union nominated

Dr H Martin

Elected Senator

Professor N Vargesson

Independent Members of Court

Ms L Menzies

Mr G McRae

Mr I Mackay

External co-opted member

Mr Duncan Fraser (from 01.02.24)

Governance and Nominations Committee

The remit of the committee is to advise Court on matters of governance and to conduct on its behalf, reviews of the University's governance. The Committee also has responsibility for considering nominations for vacancies in Court membership and vacancies in the membership of Court committees.

The composition of the committee in the period covered by this report was as follows, with attendance in [square] brackets:

Chair

Mr I Percival [5/5]

Senior Governor

Ms J Ashworth [5/5]

Ex officio

Prof. G Boyne [3/5]

AUSA nominated

Ms V Mabonso Nzolo [3/5]

Trade Union nominated

Dr H Martin [5/5]

Elected Senator

Professor J Schaper [4/5]

Independent Members of Court

Ms C Backwell [4/5]

Mr G McRae (to 13.09.22) [1/1]

Dr R Traynham [2/5]

Vacancy

Following the review of Court and its committees in the summer of 2023, changes were made to the composition of the committee, with the resulting membership as follows:

Chair and Senior Governor

Ms J Ashworth

Ex officio

Prof. G Boyne

AUSA nominated

Ms S Shraddha S. Viswanathan

Staff elected

Mr I Grant

Elected Senator

Dr I Xypolia

Independent Members of Court

Ms A Rankin

Ms A Uhere

External co-opted member

Mr S Batho (from 01.04.24)

Mr J Dunphy (from 01.04.24)

Remuneration Committee

The remit of the committee is to:

- advise Court on matters relating to the pay and conditions of senior staff
- benchmark the University's salaries and other emoluments and conditions of service against the sector to inform its policies and decisions
- determine and review the salaries, terms and conditions (and where appropriate, severance payments) of the Senior Governor, Principal, Vice-Principals, the University Secretary, Professorial and Grade 9 officers and such other staff
- ensure that the performance of the Principal is assessed on an annual basis
- oversee severance arrangements for senior staff and ensure that account is taken of the SFC Guidance on Severance Arrangements in respect of Senior Staff.

The committee determines the remuneration and conditions of service of senior staff, including the Principal. The committee is chaired by an independent member of Court. Where appropriate, the committee obtains further independent advice. It meets at least twice annually.

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 addition to the nationally agreed pay award, the committee normally set a budget of £0.1m for discretionary pay awards.

For the period covered by this report, the Committee agreed a budget of £100k to be awarded for exceptional performance/contribution. The Committee further recommended to Court to restrict the pool of those eligible to apply for a salary uplift by excluding staff earning more than 3 times the University average salary (£45,932).

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 and 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 committee will consider severance payments for senior staff

The composition of the committee from August 2022 to July 2023 was as follows, with attendance in [square] brackets:

Chair

Mr I Mackay [2/2]

Senior Governor

Ms J Ashworth [2/2]

AUSA nominated

Ms V Mabonso Nzolo [1/2]

Trade Union nominated

Mr O Cox [2/2]

Elected Senator

Dr D Skåtun [2/2]

Independent Member of Court

Ms C Backwell [1/2]

Mr O Thoresen [1/2]

Following the review of Court and its committees in the summer of 2023, changes were made to the composition of the committee, with the resulting membership as follows:

Chair

Mr I Mackay

Senior Governor

Ms J Ashworth

AUSA nominated

Ms V Mabonso Nzolo

Trade Union nominated

Mr O Cox

Elected Senator

Dr D Skåtun

Independent Member of Court

Ms C Pope-Williams

External co-opted member

Vacancy +1

Audit, Risk Management and Internal Control

The Audit and Risk Committee has a lay membership which includes individuals 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 and the 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 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 and Risk 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.

To support the Audit and Risk Committee, Court and the SMT in its oversight and management of risk, a new executive Risk Management Committee has been created. The committee's remit covers:

- the identification and evaluation of key strategic risks that threaten the University's aims are undertaken and the maintenance of a risk register
- supporting Court in its deliberation and articulation of the University's approach to risk appetite
- ensuring the risk management framework in place to manage risks is robust and effective, including identification of appropriate risk owners, and monitoring the satisfactory operation of the management strategy
- delivering satisfaction as to operational risks being actively managed, with the appropriate strategies in place and working effectively
- contributing to raising awareness generally of risk management across the University and to maintaining the profile of risk management.

The University fully supports and applies 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 2022/23 as a result of which it reappointed its previous firm of internal auditors with effect from 1 August 2023, 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 2023, the internal audit report concluded that the University's systems were generally satisfactory with some revisions required to support ongoing development.

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 Audit and Risk Committee has a formal role in overseeing the policy and to receive reports from management on cases.

Fair Work Practices

Fair Work First is the Scottish Government's policy for driving good quality and fair work in Scotland. The University is committed to adopting the practices set out in this policy. The key areas targeted by this policy are ensuring appropriate channels for employees to have a voice; investment in workforce development; no inappropriate use of zero hours contracts; actions to tackle the gender pay gap and create diverse and inclusive workplaces; and payment of the real Living Wage. The University has already made changes to working practices to meet these areas including being an accredited Living Wage Employer since 2015.

The University has long established partnership working with all recognised Campus Trade Unions. As well as being part of formal University Committees and Working Groups Trade Unions representatives meet with Senior Management and HR regularly to ensure that staff opinions and views are heard. Regular open meetings are also held with members of the Senior Management Team where all staff are encouraged to voice their opinions and ask questions.

A comprehensive suite of management and skills training is available to all staff as the University recognises the importance of investing in the development of all. The range of training available is reviewed regularly to ensure that it continues to meet the needs of the workforce.

The University does not use zero hours contracts and the Reward Consultation and Negotiation Group has an ongoing commitment to review of the use of Guaranteed Minimum Hours contracts. The changes brought in last year which included increasing the minimum default number of hours offered as well as ensuring that where members of staff have worked a consistent level of hours they are offered a fractional contract, have continued to be monitored and

reviewed. In addition, work is ongoing to make further improvements in this important area which includes a public commitment to offer all staff currently employed on Guaranteed Minimum Hours contracts who have worked more than the equivalent of 0.1FTE (180 hours) a fractional contract reflecting the hours that they will undertake ensuring that they are employed on the most appropriate terms and conditions for the role they deliver.

As stated previously 'Inclusive' is one of the University of Aberdeen's central strategic themes and is underpinned by five ambitious commitments in Aberdeen 2040. Specific examples of promoting equality of delivery can be seen in the University's Public Sector Equality Duty Report 2021 - <https://www.abdn.ac.uk/staffnet/working-here/public-sector-equality-duty-13390.php>

Equality Duties

'Inclusive' is one of the University of Aberdeen's central strategic themes and is underpinned by five ambitious commitments in Aberdeen 2040. Specific examples of promoting equality of delivery can be seen in the University's Public Sector Equality Duty Report 2023 - <https://www.abdn.ac.uk/staffnet/working-here/public-sector-equality-duty-13390.php>

Equality, diversity and inclusion (EDI) is overseen by a committee comprising representatives from across the protected characteristic groups as well as senior management. The University has promoted EDI extensively and the following provides a summary of examples of this work.

Over the previous year the University has reviewed its Equality, Diversity and Inclusion Policy to provide further clarity on the University's approach to inclusion in its widest sense and to set out support mechanisms for staff and students. A Menopause Policy has been approved, as has a Neurodiversity Policy and staff have benefited from targeted training opportunities in these areas. Guidance on Reasonable Adjustments for staff with a disability and their managers has also been launched, setting out the process and support available. The Religion and Belief Policy has been reviewed and now provides a balanced approach to roles and responsibilities in ensuring that staff and students respect the diversity of beliefs across our University community.

The University now has seven equality networks, including a Menopause

Network, and the networks continue to have a key role in decision-making through the Equality, Diversity and Inclusion Committee.

The Race Equality Strategy Group launched a bold and ambitious Antiracism Strategy through extensive consultation with staff and students and has been undertaking a review of University data relating to race which has informed the development of an Antiracism Strategy Action Plan.

The University is taking action to decolonise the curriculum and address the ethnicity awarding gap which is showing signs of decreasing. The University has established an Antiracism Roundtable with local partners such as RGU, NeSCOL, local authorities, NHS Grampian and Grampian Regional Equality Council. The Roundtable has been hearing about the work of the partner organisations and is planning its next steps to tackle racism in the northeast of Scotland. Black History Month events have been vibrant and engaging, opening critical conversations on race across staff and student groups.

To ensure these issues are consistently raised within relevant Court discussions, the Court agreed to appoint a Court Race Champion to support and embed the University's commitment to the Antiracism Strategy.

The University has continued to achieve Athena Swan accreditations with four Schools now holding a Silver award and the newly established Gender Equality Steering Group will be driving progress further in this area.

The Reward Consultation and Negotiation Group is taking forward actions to address the Gender Pay Gap which decreased in 2022 and the recommendations from the externally commissioned Equal Pay Audit.

Trade Union Facility Time Reporting for the period

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)

	2023	2022
Trade union representatives (No.)	14.0	15.0
Trade union representatives (Full Time Equivalent)	13.3	14.6

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

Percentage of Working Hours	2023	2022
0%	-	-
1 to 50%	14.0	15.0

Percentage of Working Hours	2023	2022
51 to 99%	-	-
100%	-	-

Table 3: Total pay bill and facility time costs from April 2021 to March 2022

	2023	2022
Total pay bill	£125.7m	£139.7m
Total cost of facility time	£67k	£49k
% of pay bill spent on facility time	0.05%	0.04%

Table 4: Paid trade union activities

	2023	2022
Hours spent on paid facility time	2,530	2,319
Hours spent on paid TU activities	-	-
% of total paid facility time hours spent on paid TU activities	0.00%	0.00%

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
April 2024





STATEMENT OF PRIMARY RESPONSIBILITIES OF COURT



Court adopted a Statement of Primary Responsibilities which was in operation during 2022/23. 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.

As agreed by Court 23 March 2021

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.

The trustees are responsible for the maintenance and integrity of the financial and other information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



RISK MANAGEMENT



**Risk
Management at
Aberdeen**

**Risk
Management
Structures**



**Risk
Management
Processes**

**Strategic
Risks and Risk
Appetite**

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, along with a detailed risk management process which prescribes methods for risk identification, monitoring, and control.

The University has an institutional risk appetite which is defined in general terms as Open; meaning the University is willing to accept elevated levels of risk when pursuing opportunities, if or where the expected benefits outweigh the likely costs. However, the University's appetite for accepting risk varies depending on the risk area under consideration and the specific objectives involved. There will be greater appetite for accepting risk in the pursuit of opportunities, and less so for risks which arise as a natural consequence of business-as-usual operations. The University will always reject or seek to minimise, through robust and controlled management, any activity that has the potential to cause significant financial, regulatory, legal or reputational harm. This particularly applies where strategies could adversely affect the University's ongoing financial sustainability, its ability to meet its regulatory or legal obligations, the health, safety or wellbeing of staff and students, or its ability to achieve its key strategic ambitions.

The Framework applies at University level, to Schools and Professional Services functions, and to major projects, with risk management also a key part of the University's Project Management Methodology. Under the Framework, the University also has a Strategic Risk Register (SRR) which reflects both the strategic priorities mapped out in Aberdeen 2040, and the wider strategic risks faced by the University from the external environment. It is comprised of 14 key risk areas, each in turn comprised of a number of stand-alone risks. A short description of each risk area is given in the table below:

Strategic Risks at the University of Aberdeen

STRATEGIC RISK AREA	RISK AREA 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 factors like SFC funding decline, pension contributions, material and utility costs, inflation, and tuition fee income.	Key financial risks are closely managed, with strategies in place to enhance primary income streams, where possible, with a view to offsetting reduced funding and rising costs. Strategies include diversifying sources of income across different income streams, increased scenario planning, and more robust governance arrangements when making investment decisions.
Estates and Facilities	The University faces a number of risks relating to its estate, ranging from quality and functionality, to rising costs associated with operation and maintenance. Operational running costs have been rising, with increasing utility bills, increased maintenance costs, and also rising costs associated with major capital projects, which threaten their viability; particularly inflationary cost increases and rising material costs.	The University proactively manages risks relating to the estate. A Re-Imagining our Campuses Project Board has been established, to inform all future estate development, while processes are in place to maximise space utilisation. On capital projects, there is robust oversight via the Estates Committee, with regular reviews of progress and budget allocations.
Student Recruitment (UG, PGT and PGR)	Failure to meet student number targets has the potential to present significant financial and reputational risks to the University. Risks arising from a volatile international market environment are particularly acute, and going forward, ongoing market diversification will be a key feature associated with this risk area.	There is an overarching emphasis on market diversification, particularly for PGT international student recruitment, which is key to meeting financial targets. More broadly, the University uses market intelligence to drive awareness of market trends and applicant motivations across different areas of interest, with steps taken to improve processes and to enhance conversion rates in key areas.
Education (UG and PGT)	The delivery of education and an outstanding student experience are key to successful delivery of Aberdeen 2040. It underpins student satisfaction, graduate employability, and the University's wider reputation. Risks in this area are pertinent to the entire student body, though impacts can disproportionately affect disadvantaged groups.	Aberdeen 2040 sets out ambitions relating to education, and these are being taken forward. Plans are in place in key areas to enhance or maintain performance, including quality assurance, work placements, graduate outcomes, student satisfaction and student support. This includes specific plans for protected characteristic groupings.

STRATEGIC RISK AREA	RISK AREA DESCRIPTION	RISK MANAGEMENT
Research and PGRs	The University's commitment to undertaking world class research which delivers impact on key societal and global issues is central to Aberdeen 2040. This means that the ability to attract and retain high quality researchers and to generate research income, via a world class research environment, is paramount to organisational success. This means in turn having a thriving PGR community; all key factors for which risk must be managed, as the University builds towards REF2029.	The University is implementing measures and developing comprehensive plans in key areas, to redefine and enhance its research function; with a view to both growing research income, and improving research quality. Key areas include the research environment and culture, research income, research quality, research engagement and impact and PGR recruitment.
Digital Information Services	The HE sector faces significant risks in the areas of IT security and Information Governance. Digital transformation has also taken on enhanced importance in recent years, with accelerated growth in online ways of working, including teaching delivery, meaning delivery of strategic digital projects now has an elevated level of importance.	The University has a range of mitigations in place, with an Information Governance Committee, Information Risk Working Group and Operation Security Group in place to manage policy and governance frameworks, and to prioritise risk mitigation activities. There is also adherence to the Scottish Governance Public Sector Action Plan and Cyber Resilience Framework. The Digital Strategy Committee provides oversight for Digital projects.
People	The University's ability to attract and retain high-quality talent is fundamental to its strategic ambitions. This is a potential issue in strategically important areas such as research, where strong recruitment and retention will be key to a successful REF submission in 2029.	There are a number of mitigations in place to enhance staff recruitment and retention, including enhanced relocation packages and proposals for market supplements and other incentives. There is also a focus on improving staff development and leadership opportunities, along with arrangements for hybrid or flexible working.
Health, Safety, Wellbeing and Resilience	The health, safety and wellbeing of staff and students underpins every University activity, and is reflected in the first commitment made under Aberdeen 2040. Buildings and campuses underpin safe environments in which staff and students can thrive, and it is therefore vital that processes and support systems are in place to ensure the wellbeing of the University community, particularly important under hybrid ways of working.	Health and safety management is overseen by quarterly Health & Safety Committee meetings, and sub-committees. It ensures compliance with all legal and regulatory requirements. There are also Health and Safety Advisors in place, and in terms of resilience, extensive plans for business continuity and emergency response. In terms of wellbeing, the University continues to invest in student support, and has a range of measures in place likewise to support staff.
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. These are heightened by geopolitical factors, changes to foreign government policies, and by the operational and tactical complexity required for successful delivery.	The University is taking forward strategies to further strengthen its international outreach as part of Aberdeen 2040. In parallel, it has logged and monitors risks which may affect its ability to achieve its ambitions, including those arising from geopolitical or global events, and also those linked to foreign government education policies in countries within which the University has existing partnership agreements.
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 the success of its longer term strategic ambitions; in particular, through the recruitment of high quality staff and students.	The University has carried out extensive work to refresh its brand, with a focus on the way it projects itself to external stakeholders, and the ways in which it is perceived. In parallel, the University has mechanisms in place to manage its reputation and in turn, performance in key reputational measures, like league tables. These include stakeholder management systems, data analysis and engagement toolkits.
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 global and geopolitical factors, but also the political and policy environment locally; particularly requirements linked to the Scottish Funding Council and those arising from the UK government.	The University regularly engages with the sector through a number of sector-wide groups, including Universities UK and Universities Scotland, and carries out horizon scanning. 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's Commitment to achieving Net-Zero by 2040 is subject to a number of significant risks, largely relating to finance and resourcing. Financially, there will be challenges to allocating the required levels of capital and recurrent funding over the long term, particularly as sector-wide financial pressures grow, and in terms of resource, there will be challenges in securing the volume and quality of staff required across the University, with the requisite knowledge and technical expertise.	The University is currently taking forward a number of initiatives to mitigate these risks. These include development of a Net-Zero Strategy and Implementation Plan, which will inform resource requirements and allocations over the medium to long term, as well as factoring sustainability into the Estates Strategy as a key pillar. In terms of resourcing, a number of key appointments have been made to form part of a dedicated sustainability team, including a Net Zero and Emissions Manager.

STRATEGIC RISK AREA	RISK AREA DESCRIPTION	RISK MANAGEMENT
Leadership and Governance	This risk includes ensuring compliance with all internal and external standards of governance; that robust governance arrangements are in place at the levels of Court and the Executive, and that the University has open and transparent relationships with key stakeholder groups, such as the SFC. The most pertinent risk facing the University at the current time in this space relates to its ability to deliver its Aberdeen 2040 strategy at the pace initially envisaged; impacted by rising cost pressures, and subsequent pressures on resource, meaning prioritisation and more phased sequencing of activities may be required.	In addition to following established safeguards to ensure compliance with relevant standards, the University has regular and meaningful engagement with the Scottish Government and SFC to deliver transparent two-way communication at Court and senior management level. The University is also taking steps to ensure that adequate resource is in place in all key areas to take forward priorities within Aberdeen 2040, and to facilitate effective management of staff workloads; ultimately reducing any potential impacts on the 20-year strategy. At a strategic level, regular review of diversity of Court membership takes place via Governance and Nominations Committee; in line with the Court Statement of Intent on Diversity.
Student Body and Other Third Parties	Any potential threat to the ongoing viability or success of third-party organisations with close links to the University, poses risk to the University itself. In particular, the current external financial environment, combined with changed behaviours and patterns of working post-Covid, presents a number of risks to the financial sustainability of third-party providers that are fundamental to an outstanding student experience; for example, the Aberdeen Sports Village, and a number of on-campus retail or catering outlets. This means that the University may be required to take mitigating actions in support of these different providers to protect its own interests.	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 when needed.

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 recent times this has included significant threats to the University, including Brexit, the Covid-19 pandemic, the conflict in Ukraine, UK immigration policies and increasingly volatile student markets. Each of these has posed risks for financial sustainability, to varying extents, but also other key areas, like the delivery of education and the University's ability to undertake world-class research. Risks emerging from events like these are captured where appropriate throughout the Strategic Risk Register.

Continuous Improvement

As part of a commitment to continuous improvement, the University has gone through a process of reviewing its risk management arrangements. Changes arising from that exercise will be implemented in AY 2023-24. These will involve establishing a new register comprising 8-10 major strategic risks, as opposed to risk areas, which will form the basis of reporting to the Audit and Risk Committee, and to the University Court going forward. The current Strategic Risk Register will be retained under a different title, and managed at a more local level.





FINANCIAL REVIEW

YEAR ENDED 31 JULY 2023








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 consolidated 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 Account Practice (SORP) Accounting for Further and Higher Education 2019.

Summary Financial Performance

The University reports an overall surplus of £12.1m compared with a deficit of £39.3m in the prior year with the main difference being the £58.2m charge in respect of the 31 March 2020 triennial valuation exercise for the University Superannuation Scheme included within the financial year 2021/22 financial statements.

Results at a Glance (£m)					
	Total Income	Total Expenditure	Other Gains (Losses)	Underlying Position	Overall Position
2022/23	269	259	3	0.4	12
					
Movement	8	(55)	(10)	(6.6)	51
2021/22	261	314	13	7	(39)

The Group's reported results for the year are:

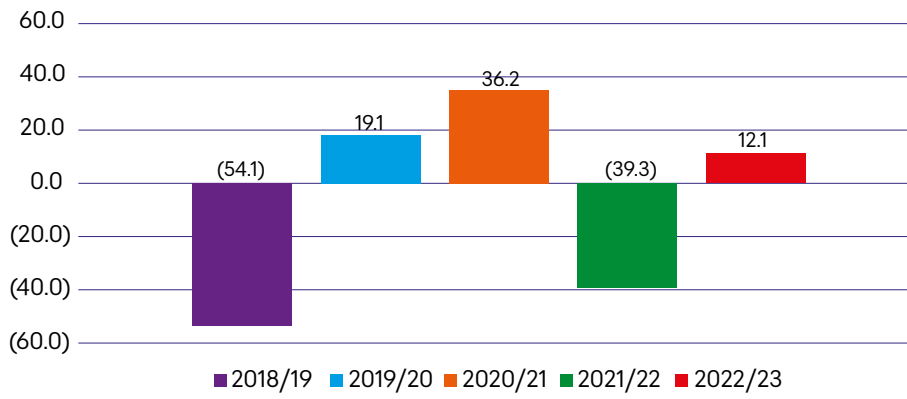
	2023 £000	2022 £000
Income	268,635	260,909
Expenditure	(259,370)	(313,654)
Surplus/(deficit) before other gains and losses	9,265	(52,745)
Other (losses)/gains	(988)	(2,661)
Actuarial (loss)/gain in respect of pension schemes	3,832	16,105
Comprehensive income/ (deficit) for the year	12,109	(39,301)

The underlying results for the year that, excludes non-controllable and other individually significant items such as the movement of the value of investments and pension deficits is a surplus of £0.4m compared with a £7.0m surplus for the prior year as follows:

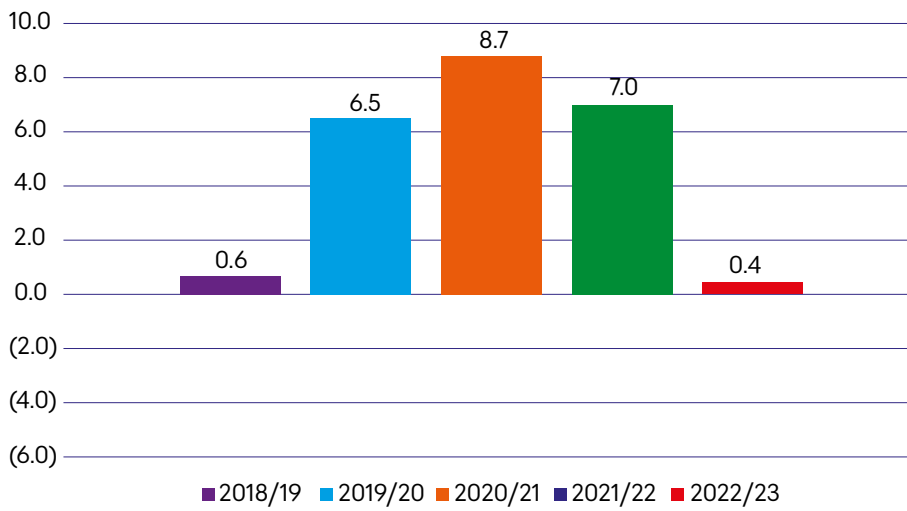
	2023 £000	2022 £000
Surplus/(deficit) before other gains and losses	9,265	(52,745)
Impairment of fixed assets	3,939	–
Voluntary severance and early retirement schemes	246	427
Provisions for onerous contracts	(259)	(300)
Pension provision movements (Note 21)*	(12,795)	59,589
Underlying surplus	396	6,971

* The pension provision movement for 2022 includes a planned charge of £58.2m in respect of the Universities Superannuation Scheme 2020 valuation exercise.

Overall Surplus /Deficit (£m)

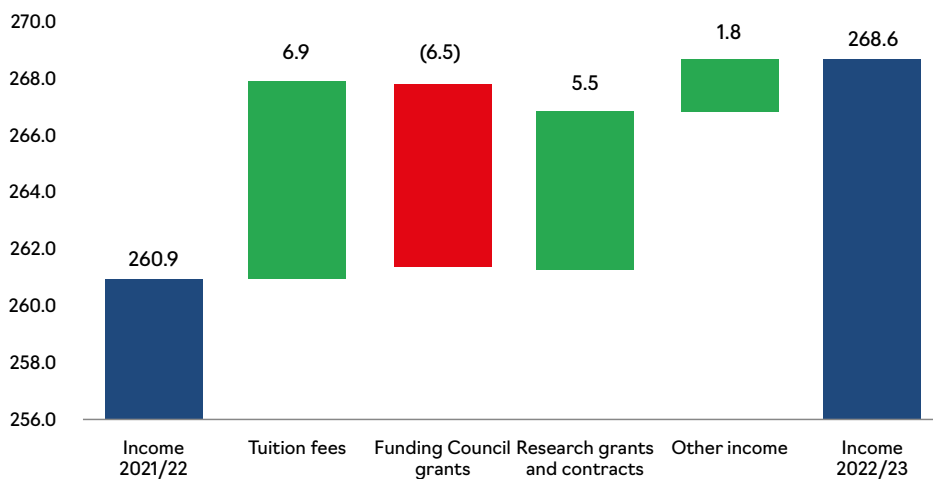


Underlying Surplus (£m)



Income for the year has increased by £7.7m to £268.6m

Income Year on Year Movement (£m)

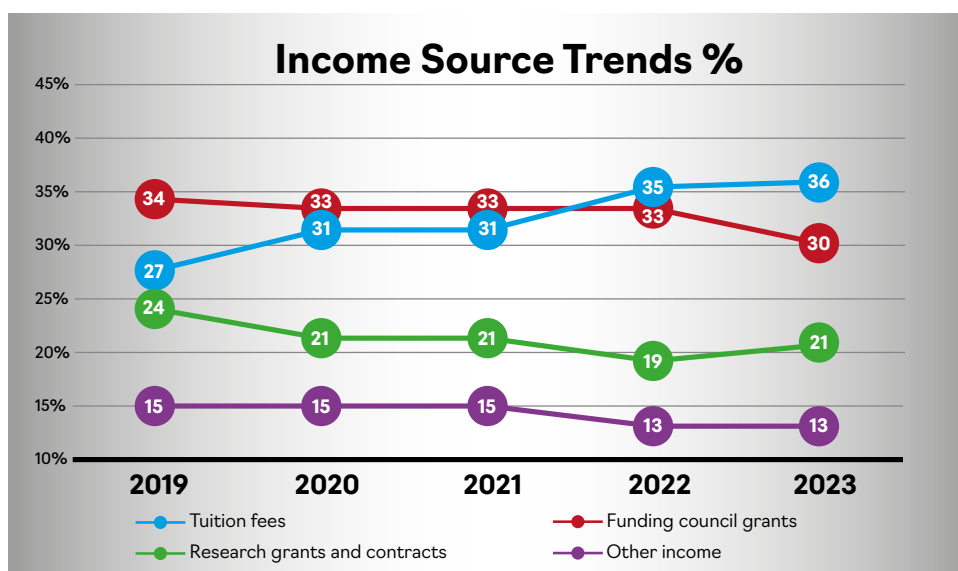
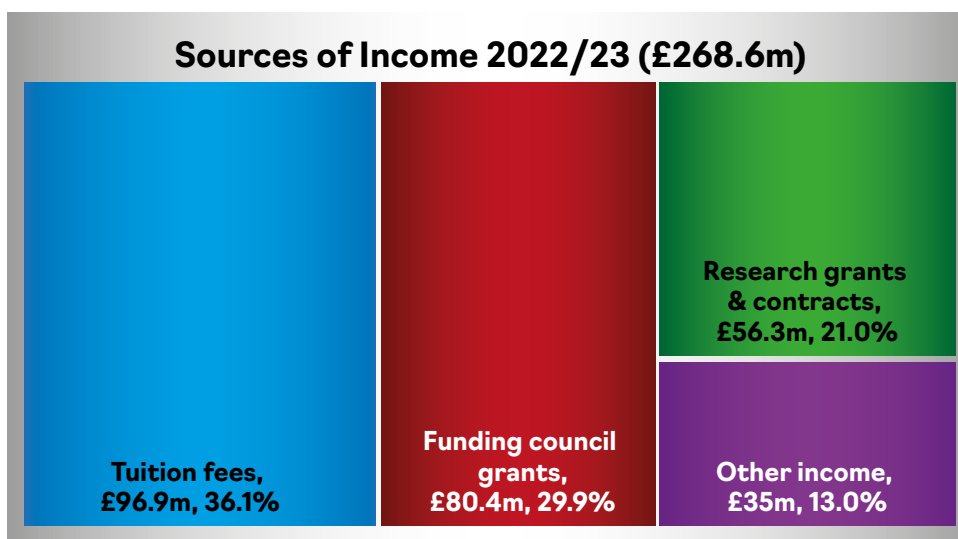


Tuition fees have increased by £6.9m and, although this is not as strong as expected, represents growth of 7.7%. Scottish fees increased by £0.7m (4.2%), EU fees fell by £1.0m (22%) and Non-EU fees increased by £5.6m or 9.8% as the efforts to encourage additional overseas students continue. Fees from students from the Rest of UK increased by £2.2m (23.4%) to £11.5m.

Funding Body grants have fallen by £6.5m, represented by the expected reduction of £1.9m (9%) to research income as a result of the REF results and £3.0m (40%) of strategic funds due to the removal of additional support provided during the pandemic. Teaching grants have fallen by £1.8m (3.4%) due to pressures in achieving student number places and other grants have remained stable.

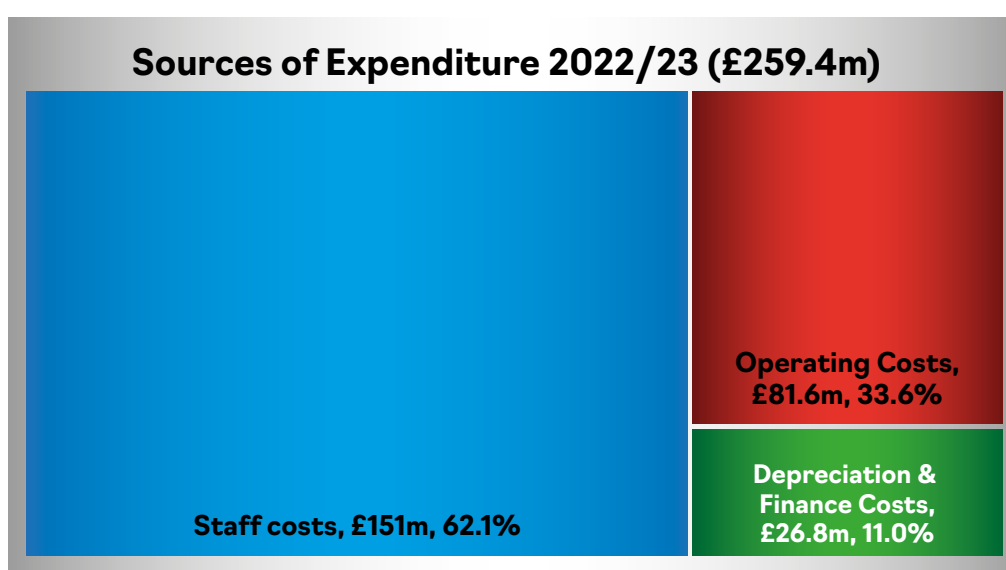
Research grants and contracts income of £56.3m increased by £5.5m (10.8%) from £50.8m in the previous year. The uplift is due to our continued investment in research staff as we look to grow our research portfolio. Increases are reported in most categories with £0.9m (8.6%) and £2.4m (29.0%) increases for research councils and UK based charities respectfully. Grants from UK industry saw £0.8m (5.0%) growth whilst EU government funded projects fell by £0.6m or (24.1%).

Other income reduced by £0.6m or 1.8% due to uncertainty associated with the Horizon European programme and European project funding now being received via UKRI. Other grants and consultancy work have fallen by £2.1m. Investment income improved by £2.1m as the University was able to take advantage of the higher interest rates offered for cash deposits during the year. Income from our endowment portfolio remained stable as changes to our investment strategy over the past few years take effect.

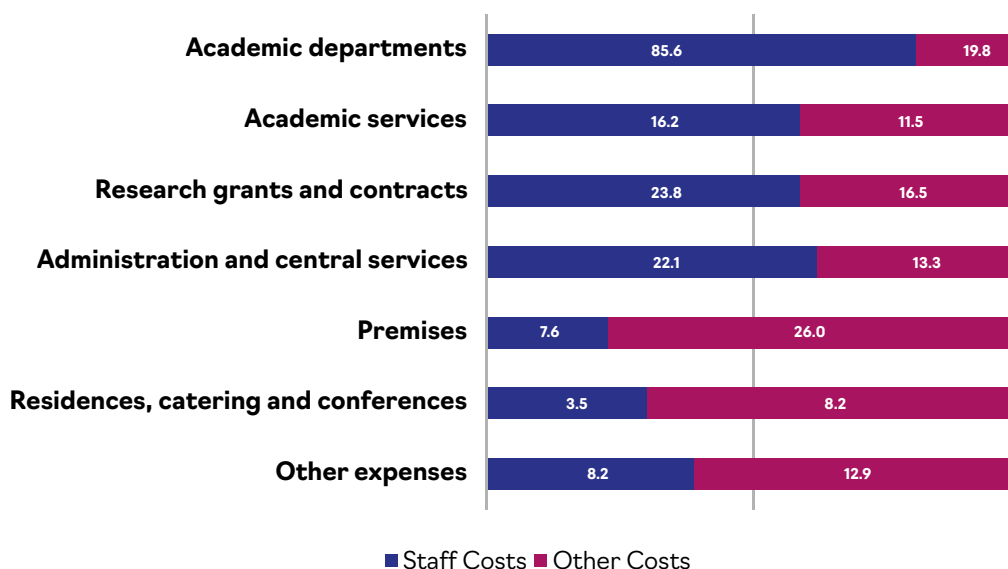


Expenditure decreased by £54.3m or 17.3% to £259.4m.

Staff costs excluding pensions movements of £167.1m have increased by £10.9m (7%), reflecting our investment in staff and increases to pay. Pension provisions fell by £10.5m in the current financial year. The planned implementation of Universities Superannuation Scheme (USS) 2020 valuation exercise resulted in a £57.8m increase to staff costs in the previous financial year. Pension adjustments are normally lower for non-valuation exercise years, however increased discount rates have resulted in our USS liability reducing by £12.9m during the year. Total staff costs are therefore £64.7m lower than in the previous year. The USS 2023 valuation exercise is expected to conclude in early 2024 and the results will be included in the 2023/24 financial statements. Other expenditure of £81.6m increased by £7.1m (9.5%) due to higher inflation and specific cost pressures such as for utilities and insurances. Depreciation charges increased by £0.5m and interest charges have increased by £2.9m to £8.4m, with the majority of the uplift due to the non-cash interest charge for pension liabilities caused by the increased discount rates.



Analysis of Expenditure (excluding pension movements)



Other Gains and Losses

Our non-current investment portfolio reported an overall increase of £0.3m compared with a loss of £0.8m for the prior year. The losses incurred in the first half of the year due to the economic and geopolitical factors were recovered in the last few months of the financial year. This was a quiet year for the portfolio following the significant restructure of the previous year following our decision to divest from fossil fuel investments. Much of the movement was within the endowment portfolio which increased from £54.1m to £54.5m during the year.

The continued downturn in the Aberdeen housing market has resulted in a further £0.7m (2022: £0.9m) reduction in the value of our investment properties.

Actuarial Gain in Respect of Pension Schemes

The overall actuarial gain is £3.8m with a £2.0m loss attributable to the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS) and a gain of £5.8m to the Strathclyde Pension Fund (SPF).

Treasury Management, Cash Flow & Covenant Requirements

Borrowing

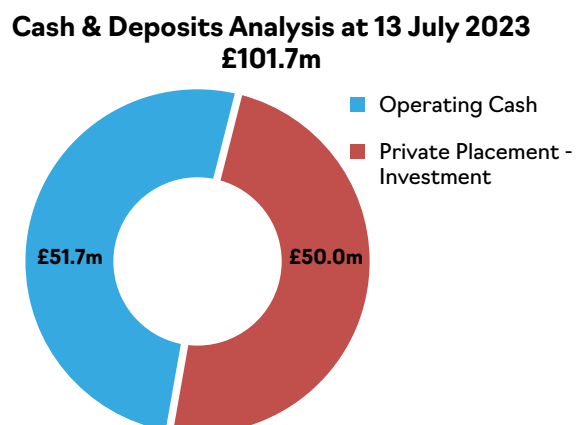
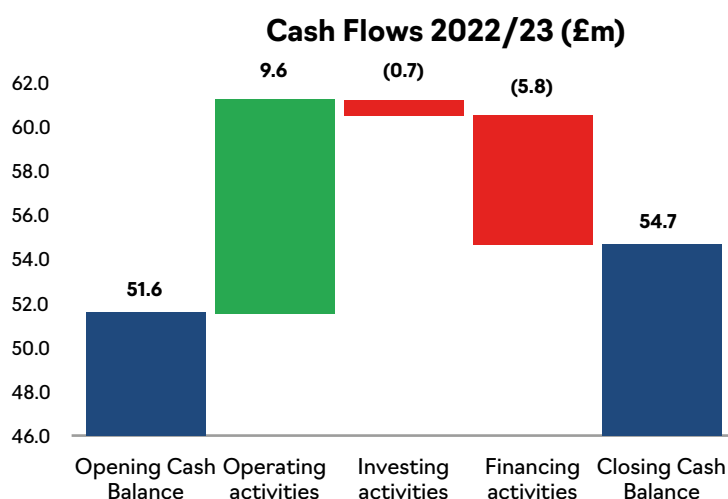
As of 31 July 2023, total unsecured loans amount to £93.1m, including £60.0m of borrowing from a private placement in May 2019, £30.0m from our facility with Barclays and the balance of £3.1m is from the Scottish Funding Council's Financial Transactions programme for improvements to the heating network 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. The £30.0m loan facility with Barclays Bank Plc consists of four tranches, each with a different fixed rate of interest. Repayments of £10.0m, £11.1m and £8.9m fall due over all tranches in September 2026, 2031 and 2036 respectively.

The University has previously entered into finance leases for a halls of residence, with £22.9m outstanding for an agreement expiring in 2037 and £0.3m for IT equipment that ends in the coming financial year.

Cash Flow

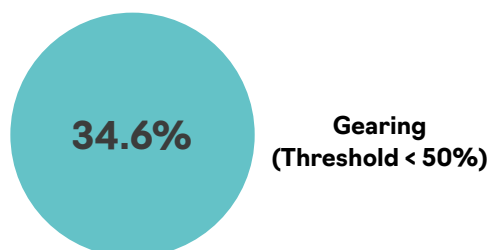
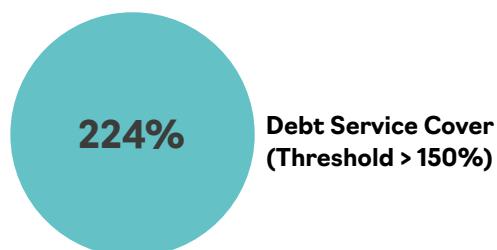
Operating activities generated a cash inflow of £9.6m (2022: £14.2m). After taking account of capital expenditure, investment income and borrowing costs, the overall Group cash inflow was £3.1m, compared with an outflow of £13.9m in the previous year. The University made a planned £10.0m repayment of the Barclays loan facility in the previous year.



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 changes 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 2022/23, the University complied with both measures returning a debt service cover ratio of 2.2 times and a gearing percentage of 34.6%. The University has also met the Universities Superannuation Scheme covenant tests meaning that no discussions or additional measures are required.

Financial Covenant Tests Met



Net Debt

£m

Borrowing & Leases

Barclays Loan Facility	30.0
Private Placement	60.0
SFC Financial Transaction	3.1
Finance Leases	23.2
Total Debt	116.3

Cash & Deposits

Term Deposits	47.0
Cash	54.7
	101.7

Net Debt	14.6
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Payment of Creditors

The University's standard practice is to pay creditors 31 days from the date on an invoice but abides by arrangements negotiated with its suppliers. No interest was paid in the year under the Late Payments of Commercial Debts (Interest) Act.

Non-Current Assets

The value of non-current assets decreased by £7.6m to £598.7m during the year. Following the decision to pause the King's and Johnston (Business School) redevelopments and to reconsider the post-pandemic requirements for the Campus, £3.5m of costs incurred to date were written off. We continue to invest in our digital infrastructure and are assessing the requirements of our existing physical estate. Capital additions of £15.8m were offset by depreciation charges of £18.4m and the reduction in value of investment properties which led to a fall in value of £0.7m. Investments account for £59.1m and reported a £0.3m increase during the year.

Net Current Assets

As at 31 July 2023, the Group reported net current assets of £59.5m compared with £59.2m as at 31 July 2022. Cash holdings have increased by £3.1m with term deposits reducing by £10.0m. Debtors have increased by £1.9m with the increase in trade debtors, reflecting our increased tuition fee income and the current economic challenges. The provision for bad debts has been increased by £1.5m to £5.2m to recognise the financial hardship being faced by many during these difficult times.

Overall creditors falling due within one year of £68.5m are £5.4m lower than the previous year. As with many research-intensive universities, prepaid income for research grants of £18.0m (2022: £21.2m) is a main element of our creditors falling due within one year and prepaid tuition fee income of £7.7m is £2.6m lower than the prior year. Creditors falling due within one year also include capital grants to be released of £4.5m and an accrual in respect of untaken annual leave of £6.1m.

Creditors: Amounts Falling Due After More Than One Year

Long term creditors of £203.8m have reduced by £2.5m. Creditors comprise of borrowing of £92.8m, finance lease obligations of £22.5m and £88.5m of deferred income in respect of capital grants from government organisations.

Provisions & Pension Schemes

Pension provisions have fallen by £16.6m to £90.5m during the year. The provisions cover the discounted fair value of the contractual contributions of £85.5m (2022: £98.3m) for the Universities Superannuation Scheme (USS) and £12.2m, an increase of £2.7m, in respect of the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS). The Strathclyde Pension Fund (SPF) reports a surplus of £8.9m compared with £2.7m in the previous year. A further £1.7m (2022: £2.0m) has been provided against the payment of enhanced pensions to a number of former Northern College employees.

USS is a multi-employer scheme in which the University is a participating employer. The current deficit is based on the 31 March 2020 actuarial valuation which was completed in September 2021 reporting a £14.1bn deficit. The 31 March 2023 valuation exercise is underway but as this was not finalised by 31 July 2023, the results cannot be used as the basis of the provision calculation.

The USS Trustee held an employer consultation during the summer of 2023 asking for views on the assumptions used within the 2023 valuation exercise. The valuation indicates a significant improvement from the £14.1bn deficit with the Scheme returning to a surplus. Following the consultation employer and employee contribution rates were reduced from 1 January 2024. Pension benefits will also be reinstated to pre April 2022 levels from 1 April 2024. With the Scheme returning to a surplus the £89.5m pension liability currently reported in the financial statements will be removed and will be reversed in the financial year to 31 July 2024.

The UASLAS accounting deficit of £12.2m reported as at 31 July 2023 is higher than the £9.6m deficit from the 2019 valuation exercise. As well as the timing difference between the valuations and the resultant movements in interest rates during the last year, regulations require that the accounting deficit be 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. The 31 July 2022 valuation exercise reports that the deficit remains at £9.6m. The University has agreed to a 0.4% increase to employer contributions whilst employee contributions remain unchanged. The deficit recovery period has been extended by 4 years and 7 months to 31 July 2033 but the contribution remains at £0.725m p.a.. Details of all assumptions used in determining the value of the pension surplus/deficits are provided in note 29.

Outlook

Despite fee income growth of 7.7%, student recruitment growth for 2022/23 was lower than budget. However, following a savings programme, core staffing and vacancy management, increased controls over operating costs and identified elements of additional income, the University returned an underlying surplus of £0.4m which was marginally ahead of our original forecast budget. All financial covenant test requirements were met.

Against the background of the current economic climate (high inflation and continued cost pressures), a reduction in funding following the Research Excellence Framework (REF) process and SFC's flat cash financial settlement have required a significantly more cautious approach to the planning process and resultant budget setting this year.

The three year-plan approved by Court in June 2023 included a continued increase to tuition fee income particularly international, on-line programme and short course fees. The plan recognised the cost pressures that the higher education sector is facing, including wage inflation and increased operating costs due to recent high levels of inflation. It also recognised the need for targeted investment in academic staffing to support high-quality teaching and increased research as well as the need for continued management of costs. The plan also included measures to improve our REF performance and to deliver our Aberdeen 2040 strategy in a financially sustainable manner. The plan anticipated an underlying deficit for financial year 2023/24, a return to break-even in 2024/25 and a surplus thereafter.

Once again, sector wide student recruitment, especially for international students, has proved to be challenging, with full year intake for 2023/24 being lower than anticipated, leading to a net shortfall in income. As a result, the University would not be in a position to meet the debt service covenant test for financial years 2023/24, 2024/25 and potentially for 2025/26. In response, Management have taken cognisance of wider sector trends and horizon scanning, considered a variety of options and have developed a Court approved Financial Recovery Plan that revises income projections and outlines the actions required to ensure financial sustainability. The University will require a number of years to fully implement the Recovery Plan and recognises that such a plan will incur initial costs.

With this in mind, and as obliged, we held productive negotiations with our lenders and have agreed a refinancing package and a series of covenant amendments with sufficient headroom that will allow the University to take the necessary corrective actions. The Financial Recovery Plan was risk assessed to identify possible downsides and to allow for sufficient headroom, covenant amendments were based on forecasts that only approximately 50% of the savings required in the Financial Recovery Plan would be achieved. The amendments include a 2-year waiver of the debt service cover test, with a lower compliance level for year ending 31 July 2026. The debt service covenant test has been replaced with minimum earnings before interest, tax, depreciation and amortisation (EBITDA) and minimum cash holding tests in the interim period. The refinancing package resulted in the repayment of £30m of bank loans in full, using funds previously earmarked for the redevelopment of our King's campus, replacing this with a revolving credit facility that can be drawn upon as required.

Whilst meeting the new tests is challenging, especially in relation to the EBITDA and minimum cash holding tests, the modelling and projections indicate this is achievable. The amended covenants, based on 50% achievement of the savings target in the recovery plan allowed for £3m and £2m of headroom for the 2023/24 and 2024/25 EBITA tests respectively. As per the Financial Recovery Plan, management have implemented a recruitment freeze, with only a limited number of business essential posts being filled and have launched an enhanced retirement scheme and voluntary severance option (VS/ER). The savings achieved to date, with VS/ER yet to conclude, make a positive contribution to our overall savings target. Schools and professional services directorates have also been set operating cost savings targets, once again progress is encouraging, and with the 2024/25 budget exercise only beginning, approximately 50% of these savings have been identified to date and work towards this will continue throughout the exercise. To date 58% of the overall savings have been identified with a firm indication that at least a further 10% can be achieved, which is ahead of the 50% level required for the EBITDA covenant to be met.

When the Financial Recovery Plan was developed, income projections for financial year 2024/25 were viewed as sufficiently prudent. However, with the sector wide reduction in international student applications, largely due to central government policy, the announcement of cuts to both student numbers and funding provided by the Scottish Government, there is now a greater level of uncertainty surrounding these income streams. Management have reviewed the figures and have further reduced the forecast level of income for both areas. In addition, assumptions have been updated in respect of the total level of savings achievable from both staff and operating costs. The revised forecasts show that all covenants for financial years 2023/24 and 2024/25 will be met but with headroom for the 2024/25 EBITDA test of approximately £1m. Given that uncertainty remains at a sector level, the level of headroom achieved is not adequate for management to predict with a sufficient degree of comfort that the EBITDA test for 2024/25 will be achieved, without further actions.

A range of measures have therefore been identified that result in further savings, meet covenants, and return the University to a stronger financial position. These range from a review of our estate management, disposal of surplus to requirement assets and a reshaping of the professional service directorates to adapt to changed demand and volumes of activity. Given that approximately 60% of total expenditure relates to staffing it is inevitable that further options around levels of pay and the size and shape of the University must also be considered.

We recognise that the significant growth in international student numbers achieved over the last few years is no longer possible, however this does not prevent us from being ambitious nor from targeting new markets in different ways and this is reflected in the new Student Recruitment Strategy. In addition, we understand that we cannot simply impose stringent cuts that will stifle our future plans.

Financial sustainability is crucial to allow the University to thrive and remain teaching and research intensive, and it must be achieved in a way that reduces cost in financial year 2024/25, generates extra revenue in financial year 2025/26 and beyond, protects our existing strengths, and enhances performance in strategic areas in need of significant improvement.

Strategic strengths that must be maintained include:

- NSS Student satisfaction (UK top ten for the last three years)
- UK league table rankings (UK top twenty in both the Times/Sunday Times and Guardian league tables for the last three years)
- Global outlook (Times Higher ranking of 12th in the world, based on international staff, international students and internationally co-authored research)
- Recent growth in research income (average growth of 10% in the last two years)
- Contribution to the United Nations' Sustainable Development Goals - (70th in THE Impact Rankings, 37th in QS Sustainability - both rankings are global)

Strategic priorities that require improvement (and ultimately investment):

- Overall REF performance, Research Impact (rank of 88th in REF2021), Environment (rank of 57th in REF2021), and Outputs (rank of 54th in REF2021).
- Innovation and Commercialisation (internationally ranked in the 201-300 band for SDG9 - 'Industry, Innovation, and Infrastructure' in the THE impact rankings 2023, and more than £1m per annum behind benchmark on industry funded research)
- Student Employability (47th for Graduate Prospects in Times/Sunday Times, 38th for Graduate Prospects in CUG, 33rd for Career Prospects in Guardian - all UK)
- Global Partnerships (both TNE and international research partnerships are low in number, breadth and depth)
- Reputation and Profile (e.g. 208th for QS, global ranking, but 292nd for reputation)

The common theme that connects all of these areas in need of improvement is insufficient external connections and partnerships. Appropriate teams will need to be in place to make the most of these opportunities.

Going Concern Update

The University Court has assessed the financial position of the University for the year ended 31 July 2023. The assessment period considered is the period to 31 July 2025 and further details of this assessment can be found in the Statement of Principal Accounting Policies and Estimation Techniques on page 70. The University Court has assessed a number of factors as set out within the Note and has concluded that the financial statements are prepared on a going concern basis, on the assumption that the functions of the University will continue for the foreseeable future, while recognising that a material uncertainty exists within the going concern assessment.

As noted above, the financial scenario planning and stress testing undertaken by the University indicates that there are external uncertainties which may need to be addressed in the near future including rising costs, pressures on international student numbers and a cut to government funding. Other factors including political, economic, and social developments beyond our control will also need to be taken in account. On this basis, the University has concluded that their ability to deliver the financial recovery plan in full, achieve the key funding assumptions in the forecast and accordingly meet the covenant requirements of the funding package represents a material uncertainty that may cast significant doubt over the ability of the University and Group to continue as a going concern. Whilst the University Court recognise these uncertainties, they believe that the University will be able to achieve the requirements and accordingly the financial statements have been prepared on a going concern basis.

**INDEPENDENT AUDITOR'S
REPORT TO THE COURT
OF THE UNIVERSITY OF
ABERDEEN**
**- REPORT ON THE AUDIT OF
FINANCIAL STATEMENTS**

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

Opinion

We have audited the financial statements of the University of Aberdeen ('the Institution') and its subsidiaries ('the Group') for the year ended 31 July 2023 which comprise the Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Statement of Financial Position, and Consolidated Cash Flow Statement and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the group's and of the institution's affairs as at 31 July 2023 and of its incoming resources and application of resources for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ▶ have been prepared in accordance with the Charities and Trustee Investment (Scotland) act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006; and
- ▶ have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty in relation to going concern

We draw attention to the Statement of Principal Accounting Policies and Estimation Techniques (b. Going concern) in the financial statements, which describes the current status of the University's Financial Recovery Plan. The financial scenario planning and stress testing undertaken by the University indicates that the combination of risks and external uncertainties means that the Financial Recovery Plan may not be delivered in full. As stated in the Statement of Principal Accounting Policies and Estimation Techniques, these events or conditions, along with the other matters as set forth in the Statement of Principal Accounting Policies and Estimation Techniques, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Court's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the University's assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Confirmation of updated financing arrangements with the University's lenders;
- Testing of management's budget model used to support the going concern assessment;
- Challenge of the assumptions within the Financial Recovery Plan particularly for identified savings (staff and operational) and income growth in respect of research, tuition and other income;
- Consideration of the University's forecast headroom against loan covenant tests including minimum cash balances; and
- The availability of further mitigating actions to respond to emerging risks and uncertainties.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information contained in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Scottish Funding Council's Financial (SFC) Memorandum

In accordance with the SFC's Financial Memorandum (effective 1 December 2014), we will also report to the University Court whether, in all material respects:

- ▶ the requirements of the SFC's accounts direction have been met;
- ▶ funds from whatever source administered by the institution for specific purposes have been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- ▶ Funds provided by SFC have been applied in accordance with the requirements of the SFC Financial Memorandum with Higher Education Institutions.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) regulations 2006 requires us to report to you if, in our opinion:

- ▶ the information given in the financial statements is inconsistent in any material respect with the Strategic Report; or
- ▶ proper accounting records have not been kept; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.

Responsibilities of the University Court

As explained more fully in the Statement of Primary Responsibilities of Court set out on pages 38 and 39, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the group's and the institution'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 management either intends to liquidate the group or the institution or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent institution and determined that the most significant are FRS 102 and Statement of Recommended Practice for Further and Higher Education.
- We understood how group and parent institution is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of the Court minutes and papers provided to the Audit and Risk Committee at a Group level, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up.
- We have considered the culture of honesty and ethical behaviour of management and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the group and parent institution financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage financial performance. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business; review of Court minutes to identify any non-compliance with laws and regulations, and inspection of any correspondence between the University and Scottish Funding Council.

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

Use of our report

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



Ernst & Young LLP, Statutory Auditor

Edinburgh

Date 30 April 2024



FINANCIAL STATEMENTS



Statement of Comprehensive Income and Expenditure
Year ended 31 July 2023

	Note	Consolidated 2023 £000	University 2023 £000	Consolidated 2022 £000	University 2022 £000
Income					
Tuition fees and educational contracts	1	96,851	96,851	89,923	89,923
Funding body grants	2	80,421	80,421	86,925	86,925
Research grants and contracts	3	56,329	56,329	50,831	50,831
Other income	4	30,748	30,870	31,320	31,320
Endowment and investment income	5	3,586	3,444	1,509	1,504
Endowments and donations	6	700	700	401	401
Total income		268,635	268,615	260,909	260,904
Expenditure					
Staff costs – excluding movements in pension provisions	7	167,122	167,122	156,195	156,195
Movement in pension provisions	7	(16,179)	(16,179)	59,467	59,467
Total staff costs	7	150,943	150,943	215,662	215,662
Other operating expenses	8	81,612	81,567	74,552	74,334
Depreciation	9	18,445	18,445	17,969	17,969
Interest and other finance costs	10	8,370	8,370	5,471	5,471
Total expenditure	11	259,370	259,325	313,654	313,436
Surplus/(deficit) before other gains/(losses) and share of operating surplus/(deficit) of joint venture		9,265	9,290	(52,745)	(52,532)
(Loss) on disposal of fixed assets	12	(9)	(9)	(48)	(53)
Unrealised (loss) on revaluation of investment properties	13	(717)	(635)	(926)	(1,041)
Gain/(loss) on non-current investments	14	312	4	(757)	(1,569)
Share of operational deficit in joint venture	15	(574)	-	(930)	-
Surplus/(deficit) before tax		8,277	8,650	(55,406)	(55,195)
Taxation		-	-	-	-
Surplus/(deficit) after tax		8,277	8,650	(55,406)	(55,195)
Actuarial (loss)/gain in respect of pension schemes - University	21a	3,832	3,832	15,816	15,816
Actuarial gain in respect of pension schemes - joint venture	15	-	-	289	-
Total comprehensive income/(deficit) for the year		12,109	12,482	(39,301)	(39,379)
Total comprehensive income/(deficit) for the year					
Endowment comprehensive income/(deficit) for the year		560	560	(339)	(339)
Unrestricted comprehensive income/(deficit) for the year		11,549	11,922	(38,962)	(39,040)
Total comprehensive income/(deficit) for the year		12,109	12,482	(39,301)	(39,379)

Consolidated and University Statement of Changes in Reserves
Year ended 31 July 2023

Consolidated	Income and expenditure account		Revaluation reserve	Total
	Endowment	Unrestricted		
	£000	£000	£000	£000
Balance at 1 August 2021	58,420	160,632	171,774	390,826
(Deficit) from the income and expenditure statement	(339)	(55,067)	-	(55,406)
Other comprehensive income	-	16,105	-	16,105
Transfers between income and expenditure reserves	-	3,194	(3,194)	-
Total comprehensive income/(deficit) for the year	(339)	(35,768)	(3,194)	(39,301)
Balance at 1 August 2022	58,081	124,864	168,580	351,525
Income from the income and expenditure statement	560	7,717	-	8,277
Other comprehensive deficit	-	3,832	-	3,832
Transfers between income and expenditure reserves	-	3,179	(3,179)	-
Total comprehensive income/(deficit) for the year	560	14,728	(3,179)	12,109
Balance at 31 July 2023	58,641	139,592	165,401	363,634

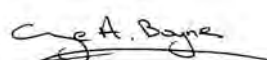
University

Balance at 1 August 2021	58,420	150,163	170,760	379,343
Deficit from the income and expenditure statement	(339)	(54,856)	-	(55,195)
Other comprehensive income	-	15,816	-	15,816
Transfers between revaluation and income and expenditure reserves	-	3,194	(3,194)	-
Total comprehensive income/(deficit) for the year	(339)	(35,846)	(3,194)	(39,379)
Balance at 1 August 2022	58,081	114,317	167,566	339,964
Income from the income and expenditure statement	560	8,090	-	8,650
Other comprehensive (deficit)	-	3,832	-	3,832
Transfers between revaluation and income and expenditure reserves	-	3,179	(3,179)	-
Total comprehensive income/(deficit) for the year	560	15,101	(3,179)	12,482
Balance at 31 July 2023	58,641	129,418	164,387	352,446

Statement of Financial Position as at 31 July 2023

		Consolidated 2023	University 2023	Consolidated 2022	University 2022
	Note	£000	£000	£000	£000
Non-current assets					
Tangible assets	13	492,988	491,974	499,183	498,169
Heritage assets	13	277	277	277	277
Intangible assets	13	3,225	3,225	3,676	3,676
Investment properties	13	28,237	26,596	28,855	27,132
Non-current investments	14	59,141	74,008	58,880	74,055
Investment in joint venture	15	14,867	-	15,441	-
		598,735	596,080	606,312	603,309
Current assets					
Stock	16	275	275	301	301
Trade and other receivables	17	26,045	26,045	24,175	24,174
Investments	18	47,000	47,000	57,000	57,000
Cash and cash equivalents	23	54,671	46,106	51,600	42,985
		127,991	119,426	133,076	124,460
Less: Creditors: amounts falling due within one year	19	68,470	68,438	73,871	73,813
		59,521	50,988	59,205	50,647
Total assets less current liabilities		658,256	647,068	665,517	653,956
Less: Creditors: amounts falling due after more than one year	20	203,829	203,829	206,313	206,313
Provisions					
Pension provisions	21a	90,493	90,493	107,120	107,120
Other provisions	21b	300	300	559	559
		90,793	90,793	107,679	107,679
Total net assets		363,634	352,446	351,525	339,964
Restricted reserves					
Income and expenditure reserve – endowment reserve	22	58,641	58,641	58,081	58,081
Unrestricted reserves					
Income and expenditure reserve		139,592	129,418	124,864	114,317
Revaluation reserve		165,401	164,387	168,580	167,566
Total funds		363,634	352,446	351,525	339,964

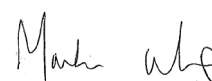
The Accounts set out on pages 64 to 106 were approved by the University Court on 24 April 2024 and signed on its behalf by:



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



Ms Julie Ashworth
Senior Governor of the
University Court



Mr Mark White
Chief Finance Officer

Consolidated Cash Flow Statement Year ended 31 July 2023

	Note	2023 £000	2022 £000
Cash flow from operating activities			
Surplus / (deficit) for the year		8,277	(55,406)
Adjustments for non-cash items			
Depreciation	9 & 13	18,445	17,969
(Gain)/loss on investments	14	(312)	757
Impairment of fixed assets	13	3,939	-
Decrease/(increase) in stock		26	(44)
(Increase) in debtors		(1,870)	(6,014)
(Decrease) in creditors and other provisions		(3,637)	(2,836)
(Decrease)/increase in pension provisions (excluding actuarial gain or loss)		(12,795)	59,589
Unrealised deficit on revaluation of investment properties	13	717	926
Share of operating deficit in joint venture	15	574	930
Adjustments for investing or financing activities			
Investment income	5	(3,586)	(1,509)
Interest payable	10	4,996	4,789
Endowment income	6 & 22	(94)	(92)
Capital grants received/released during the year		(5,114)	(4,881)
Loss on sale of fixed assets	12	9	48
Net cash inflow from operating activities		9,575	14,226
Cash flows from investing activities			
Proceeds from sales of fixed assets		-	2,981
Capital grant receipts		3,500	3,218
Disposal of non-current investments	14	258	58,277
Withdrawal from/(Additions to) deposits		10,000	(12,000)
Investment income	5	3,586	1,509
Payments made to acquire fixed assets		(17,812)	(18,638)
New non-current asset investments	14	(207)	(48,093)
		(675)	(12,746)
Cash flows from financing activities			
Interest paid	10	(2,875)	(2,931)
Interest element of finance lease and service concession payments	10	(2,121)	(1,858)
Endowment cash received	6 & 22	94	92
Repayments of amounts borrowed		(286)	(10,286)
New unsecured loans and leases	20	-	-
Capital element of finance lease and service concession payments		(641)	(424)
		(5,829)	(15,407)
Increase/(decrease) in cash and cash equivalents in the year		3,071	(13,927)
Cash and cash equivalents at beginning of the year	23	51,600	65,527
Cash and cash equivalents at end of the year	23	54,671	51,600
Movement in cash and cash equivalents		3,071	(13,927)



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.

For all Higher Education Institutions, student recruitment is a key factor in financial performance. Student recruitment for the University proved to be challenging in 2023, especially for international students, and the full year intake for 2023/24 is substantially lower than anticipated. This has resulted in a substantial shortfall in income.

The University's external borrowings at 31 July 2023 totalled £93.4m. Of this amount, £90m related to private placements (£60m) and the bank facility (£30m) for which two covenants were in place (relating to debt service cover and balance sheet gearing, refer to page 53).

Following the identified income shortfall, the University forecast that it would not be in a position to meet the debt service covenant test for financial years 2023/24, 2024/25 and potentially for 2025/26.

In response, management developed a Financial Recovery Plan that was approved by University Court in December 2023. The Plan revises income projections and outlines the actions required to ensure financial sustainability. The University requires a number of years to fully implement the Recovery Plan and recognises that the plan will incur initial costs. As a result, the University Court has agreed a refinancing package and a series of covenant amendments with its lenders that would enable the University to take the necessary corrective actions and meet the revised tests.

The Financial Recovery Plan was risk assessed to identify possible downsides, and to allow for sufficient headroom within the forecast. The covenant amendments are based on forecasts that approximately 50% of the savings required in the Financial Recovery Plan would be achieved. The amendments include a 2-year waiver of the debt service cover test, with a lower compliance level for year ending 31 July 2026. The debt service covenant test has been replaced with minimum earnings before interest, tax, depreciation and amortisation (EBITDA) and minimum cash holding tests in the interim period. The refinancing package resulted in the repayment of £30m of bank loans, using funds previously earmarked for the redevelopment of the King's campus, replacing this with a revolving credit facility that can be drawn upon as required.

Ongoing uncertainties mean that meeting the new covenant tests will remain challenging, especially in relation to the EBITDA and minimum cash holding tests. Achievement of the Financial Recovery Plan is dependent on assumptions related to income and the delivery of challenging staff and operational savings plans. Under the Financial Recovery Plan, management have implemented a recruitment freeze, with a limited number of business essential posts being filled and have launched an enhanced retirement scheme and voluntary severance scheme (VS/ER), which is yet to conclude. Schools and professional services directorates have also been set operating cost savings targets, with approximately 50% of the required

savings identified to date.

Cash flow forecasts were prepared for the period to 31 July 2025 to support the University Court's assessment of going concern. The base case scenario forecasts compliance with all loan covenants throughout the going concern period. The University Court's assessment is that they will be able to meet the Financial Recovery Plan but recognises that there are challenging assumptions within the going concern assessment period to 31 July 2025. As well as the student recruitment risk, in particular from international students, a further significant risk to the future financial sustainability of the University includes further real terms reductions in the level of grant funding receivable from the Scottish Funding Council. This may be further exacerbated due to wider geopolitical and economic uncertainties. In addition, assumptions related to staff and operational savings remain uncertain. When severe but plausible downside scenarios are applied to the financial model in respect of these assumptions, the University would breach the EBITDA and minimum cash holding covenant requirements.

On this basis, the ability to deliver the plan, achieve the key funding assumptions in the forecast and accordingly meet the covenant requirements of the funding package represents a material uncertainty that may cast significant doubt over the ability of the University and Group to continue as a going concern.

The University Court is continuing to monitor its forecast compliance with covenants. Management is confident that there are sufficient mitigating actions within the University's control that would offset any reduced income or undelivered savings to ensure compliance with future loan covenants, before the requirement for further renegotiation of covenants with its lender, should severe but plausible worst case scenarios occur.

After reviewing these forecasts, the University Court is of the opinion that, taking account of severe but plausible downsides, the Group and parent University will have sufficient funds to meet their liabilities as they fall due over the period to 31 July 2025.

Based on the assessment outlined above, the University Court has concluded that it has adequate resources to continue in operation for the period to 31 July 2025,

and for this reason the going concern basis continues to be adopted when preparing the financial statements.

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, the schedule of contributions from the 2020 valuation should be used. Further disclosure has been included in notes 21a and 29 to the financial statements in respect of this judgment.

Where the present value of defined benefit obligations less the fair value of plan assets results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

In the 2021/22 financial statements, the University assessed the recoverability of the asset on this basis and determined that it was appropriate that, in line with the requirements of FRS 102, the plan surplus in 2022 should not be recognised.

There has subsequently been a greater prevalence of pension surpluses, in Local Government Pension Schemes, and there are examples of some employers ceasing participation in schemes and receiving an exit refund. There has also been greater scrutiny by the accounting profession on the interpretation of the accounting for a plan surplus as a defined benefit plan asset including consideration of the extent to which the principles of IFRIC 14 are relevant when interpreting the FRS 102 requirements.

The University has taken independent accounting advice and has now concluded that, even though it has no intention of doing so, as it has a theoretical right to refund if it were to cease participation in the scheme, it is appropriate to recognise a pension asset valued in accordance with

the cessation policy within Strathclyde Pension Fund's Funding Strategy Statement.

The extent to which any net pension asset within the Local Government Pension Scheme can be recognised is subject to significant actuarial assumptions around the potential future costs associated with the Strathclyde Pension Fund (SPF) and can be impacted by changes to actuarial assumptions and agreed contribution rates. Pension assets arising from the University's right to recover the surplus through a potential refund from the scheme can change materially as a result of changes to the cessation policy within Strathclyde Pension Fund's Funding Strategy Statement.

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). Estimates are 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. 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 31.

The consolidated financial statements do not include the income and expenditure of Aberdeen University Student's Association as the University does not exert control or dominant influence over policy decisions of the Association.

Following changes to the legal and operating structures of the University of Aberdeen Development Trust, a review of the Trust's relationship with the University

and its accounting treatment was undertaken. In Management's judgment, the Trust remains outwith the control of the University and therefore is not consolidated within the Group accounts.

The University does not have a controlling interest on the Trust Board and is not involved in the appointment of Trustees. The Trust can award funds to other parties, as long as these parties have similar charitable objectives to those of the University. For example, the Trust can and has made awards to NHS Grampian Endowments, Aberdeen University Students Association and Aberdeen Sports Village. In addition, funds awarded to the University are not always provided to meet the University's strategic objectives, for example, funds for scholarship and prizes etc. are subsequently awarded to students based on the terms on the original donation, Details of the funds managed by the University of Aberdeen Development Trust are included within Note 28.

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 statement of financial position and released to income as the conditions are met. Management apply judgement in deferring income received for conditions not yet satisfied and accruing for income not yet received.

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. The costs of the unused entitlement are estimated using a representative sample of employees.

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. Subsequent to initial recognition they are measured at amortised cost less any impairment losses in the case of trade debtors. Management apply judgment to the recoverability of outstanding debt when considering potential impairment. 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.

As a refund from the scheme would only be available if the University were to exit the scheme, any pension asset on the basis of this theoretical right to refund pension asset is valued in accordance with the cessation policy with the Strathclyde Pension Fund's Funding Strategy Statement.

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

	2023	2022
	£000	£000
Consolidated and University		
Scottish fees	17,841	17,128
EU fees	3,519	4,512
RUK fees	11,469	9,293
Non-EU fees	62,927	57,296
Non-credit bearing course fees	924	1,398
Other contracts	171	296
	96,851	89,923

2. Funding body grants

Consolidated and University		
SFC general funding - teaching	50,265	52,052
SFC general funding - research	20,368	22,385
Strategic research development grant	4,532	7,552
Capital grants released from deferred income	4,606	4,330
Other SFC grants	650	606
	80,421	86,925

3. Research grants and contracts

Consolidated and University		
Research councils	11,146	10,267
UK based charities	10,811	8,378
UK central and local government, health and hospital authorities	16,968	16,167
UK industry, commerce and public corporations	5,973	4,203
EU government bodies	1,949	2,567
EU other	811	1,010
Other overseas	8,252	7,856
Other sources	419	383
	56,329	50,831

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

Funding body	Project title	£000
RESAS	RESAS main programme	6,295
Wista Laboratories Ltd	Alzheimer's research project	4,657
OGTC Ltd	National Decommissioning Centre	1,477
2 x Windfarm companies and SNH	Strategic Marine Mammal Monitoring programme	765
NERC	Doctoral research and training (QUADRAT)	676
Various Oil Companies	Sand Injectites Phase 4	649
National Institute of Health Research	Production of Technology Assessment Reviews (TARS)	555
Wellcome Trust	Institutional Strategic Support Fund	529
Development Trust	Fast Field Cycler project costs	500

4. Other income

	Consolidated	University	Consolidated	University
	2023	2023	2022	2022
	£000	£000	£000	£000
Residences, catering and conferences	10,409	10,409	8,806	8,806
Consultancy	2,824	2,824	4,692	4,692
Health authorities	7,717	7,717	7,792	7,792
VAT recovery	350	350	229	229
Other grants	9,429	9,551	9,649	9,649
Capital grants received/released	19	19	127	127
Income from Coronavirus Job Retention Scheme	-	-	25	25
	30,748	30,870	31,320	31,320

5. Investment income

Investment income from endowments (note 22)	944	944	1,090	1,090
Other investment income	2,642	2,500	419	414
	3,586	3,444	1,509	1,504

6. Donations and endowments

New endowments (note 22)	94	94	92	92
Donations with restrictions	606	606	309	309
	700	700	401	401

7. Staff costs

	2023	2022
	£000	£000
Consolidated and University		
Salaries	129,079	120,907
Social security costs	12,918	12,210
Movement on pension provisions (note 21a)	(16,179)	59,467
Other pension costs	25,125	23,078
	150,943	215,662

Emoluments of the Principal and Vice-Chancellor – Professor George Boyne

Salary	281	260
Living allowance	14	-
Pension contributions to USS	18	15
Sub-total	313	275
Benefit in kind – accommodation and associated costs	23	16
Total	336	291

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 a change to procedures in dealing with the Living Allowance, no living allowance payment was made in the previous financial year due to a timing issue. The Principal contributes £12,000 p.a. towards accommodation costs that results in a net benefit in kind of £23,000 (2022: £16,000). The increase in the value of the benefit in kind was mainly due to increased utility costs.

The remuneration (comprising of salary, living allowance and pension contributions) of the Principal, Professor George Boyne, in the financial year was £313,000 (2022: £275,000). His remuneration was 7.7 times (2022: 6.8 times) the median remuneration of the workforce which was £41,726 (2022: £40,504).

Staff costs for key management personnel excluding employer's pension contribution	1,344	1,232
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Key management personnel are the University's Senior Management Team (SMT), comprising of the Senior Vice Principal, Vice Principals, the University Secretary and the Chief Operating Officer, the Chief Financial Officer, the Director of People, the Director of External Relations and from part-way through the financial year the Director of Advancement.

	2023		2022	
Compensation for loss of office payable to senior post holders:	Number	£000	Number	£000
Number of payments in excess of £100,000 during the year	-	-	-	-
Compensation arrangements for members of staff earning in excess of £100,000	-	-	1	83

	2023	2022
Remuneration of other higher paid staff (excluding the Principal)	Number	Number
£100,000 - £109,999	21	22
£110,000 - £119,999	14	13
£120,000 - £129,999	7	9
£130,000 - £139,999	14	11
£140,000 - £149,999	4	8
£150,000 - £159,999	6	3
£160,000 - £169,999	3	2
£170,000 - £179,999	3	-

7. Staff costs - continued

	2023	2022
	£000	£000
Average staff numbers by activity - full time equivalent basis		
Academic departments	1,272	1,208
Academic services	324	301
Administration and central services	414	396
Premises	217	211
Residences, catering and conferences	98	92
Research grants and contracts	373	379
Other expenses	99	123
	2,797	2,710
Staff costs by activity – Consolidated and University		
Academic departments	85,541	77,983
Academic services	16,229	14,634
Administration and central services	22,240	20,066
Premises	7,619	7,170
Residences, catering and conferences	3,477	3,103
Research grants and contracts	23,830	23,445
Other expenses	8,186	9,794
Pension cost adjustments	(16,179)	59,467
	150,943	215,662

8. Other operating expenses by activity

	Consolidated	University	Consolidated	University
	2023	2023	2022	2022
	£000	£000	£000	£000
Academic departments	18,355	18,355	18,900	18,900
Academic services	7,556	7,556	7,610	7,610
Administration and central services	13,341	13,341	13,030	13,030
Premises	13,664	13,664	10,718	10,718
Residences, catering and conferences	3,534	3,534	2,378	2,378
Research grants and contracts	15,811	15,811	14,014	14,014
Other expenses	9,021	8,976	7,572	7,354
Pension liability movements	330	330	330	330
	81,612	81,567	74,552	74,334

Other operating expenses (including VAT) include:

External auditor's remuneration in respect of audit services - EY LLP	288	288	-	-
External auditor's remuneration in respect of non-audit services - EY LLP	-	-	-	-
External auditor's remuneration in respect of audit services - KPMG LLP	-	-	177	158
External auditor's remuneration in respect of non-audit services - KPMG LLP	63	63	82	82
Internal auditor's remuneration in respect of audit services	154	154	138	138
Internal auditor's remuneration in respect of non-audit services	83	83	209	209
Agency staff costs	385	385	384	384

EY LLP was appointed as the University's external audit following a competitive process during the year.

External audit remuneration in respect of non-audit services (KPMG) includes the costs of auditing the conversion of the University's 2021/22 financial statements to US GAAP. 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	1,647	1,647	1,449	1,449
Academic services	3,950	3,950	4,140	4,140
Administration and central services	5	5	68	68
Premises	9,493	9,493	9,007	9,007
Residences, catering and conferences	2,506	2,506	2,483	2,483
Research grants and contracts	678	678	604	604
Other expenses	166	166	218	218
	18,445	18,445	17,969	17,969

10. Interest and other finance costs

	Consolidated	University	Consolidated	University
	2023	2023	2022	2022
	£000	£000	£000	£000
Loan interest	2,875	2,875	2,931	2,931
Finance leases	2,121	2,121	1,858	1,858
Net interest on defined benefit pension schemes (note 21a)	3,374	3,374	682	682
	8,370	8,370	5,471	5,471

11. Analysis of total expenditure by activity

Academic departments	105,543	105,543	98,332	98,332
Academic services	27,735	27,735	26,384	26,384
Administration and central services	35,586	35,586	33,164	33,164
Premises	33,651	33,651	29,826	29,826
Residences, catering and conferences	11,638	11,638	9,822	9,822
Research grants and contracts	40,319	40,319	38,063	38,063
Other expenses	17,373	17,328	17,584	17,366
Movement on pension provisions	(12,475)	(12,475)	60,479	60,479
	259,370	259,325	313,654	313,436

12. Disposal of fixed assets

(Loss)/gain on disposal of fixed assets	(9)	(9)	(48)	(53)
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13. Fixed assets - Non-current assets - Consolidated

	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 2022	585,676	1,998	28,855	277	65,387	8,504	690,697
Additions	5,285	1,510	99	-	8,324	628	15,846
Reclassification	353	(353)	-	-	-	-	-
Revaluation	-	-	(717)	-	-	-	(717)
Impairment	(335)	(3,155)	-	-	-	(549)	(4,039)
Disposals	-	-	-	-	(3,403)	(288)	(3,691)
At 31 July 2023	590,979	-	28,237	277	70,308	8,295	698,096
Depreciation							
At 1 August 2022	102,699	-	-	-	51,179	4,828	158,706
Charge for the year	12,411	-	-	-	5,404	630	18,445
Impairment	-	-	-	-	-	(100)	(100)
Eliminated on disposals	-	-	-	-	(3,394)	(288)	(3,682)
At 31 July 2023	115,110	-	-	-	53,189	5,070	173,369
Net book value							
At 31 July 2023	475,869	-	28,237	277	17,119	3,225	524,727
At 31 July 2022	482,977	1,998	28,855	277	14,208	3,676	531,991

13. Fixed assets - Non-current assets - University

	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 2022	584,604	1,998	27,132	277	65,387	8,504	687,902
Additions	5,285	1,510	99	-	8,324	628	15,846
Reclassification	353	(353)	-	-	-	-	-
Revaluation	-	-	(635)	-	-	-	(635)
Impairment	(335)	(3,155)	-	-	-	(549)	(4,039)
Disposals	-	-	-	-	(3,403)	(288)	(3,691)
At 31 July 2023	589,907	-	26,596	277	70,308	8,295	695,383
Depreciation							
At 1 August 2022	102,641	-	-	-	51,179	4,828	158,648
Charge for the year	12,411	-	-	-	5,404	630	18,445
Impairment	-	-	-	-	-	(100)	(100)
Eliminated on disposals	-	-	-	-	(3,394)	(288)	(3,682)
At 31 July 2023	115,052	-	-	-	53,189	5,070	173,311
Net book value							
At 31 July 2023	474,855	-	26,596	277	17,119	3,225	522,072
At 31 July 2022	481,963	1,998	27,132	277	14,208	3,676	529,254

As permitted by FRS102 the University adopted the 2014 land and building valuation figures as deemed cost and no longer revalues these assets every 5 years. The basis of the 2014 valuation was 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 £20.7m (2022: £21.6m).

Consolidated and University fixed assets net book value at 31 July 2023 respectively include £23.9m (2022: £28.9m) and £25.7m (2022: £27.1m) in respect of investment properties that are required to be revalued on an annual basis. The revaluation exercise was carried out on 31 July 2023 and was performed by Gerald Eve.

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.

There have been no material acquisitions or disposals of heritage assets in the period, nor in the previous four reporting periods.

The net book value of fixed assets is analysed between:

	Consolidated 2023 £000	University 2023 £000	Consolidated 2022 £000	University 2022 £000
Tangible assets	492,988	491,974	499,183	498,169
Heritage assets	277	277	277	277
Intangible assets	3,225	3,225	3,676	3,676
Investment properties	28,237	26,596	28,855	27,132
	524,727	522,072	531,991	529,254

14. Non-current investments

	Endowments	Spin-Outs	Pensions	Other	Total
	£000	£000	£000	£000	£000
Consolidated					
At 1 August 2022	54,124	676	3,394	686	58,880
Additions	140	50	-	17	207
Disposals/reclassification	(133)	-	-	(125)	(258)
Depreciation	320	(87)	79	-	312
At 31 July 2023	54,451	639	3,473	578	59,141
University					
At 1 August 2022	54,124	676	3,394	15,861	74,055
Additions	140	50	-	17	207
Disposals/reclassification	(133)	-	-	(125)	(258)
Impairment	-	-	-	(308)	(308)
Depreciation	320	(87)	79	-	312
At 31 July 2023	54,451	639	3,473	15,445	74,008

The endowment portfolio consists of equity funds, fixed income bonds and property units.

	Consolidated	University
	£000	£000
Other non-current investments consist of:		
Aberdeen Sports Village Ltd (Joint Venture - Note 15)	-	14,867
Epidarex Capital	578	578
	578	15,445

The Group's subsidiary undertakings are listed in note 31.

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 £55.1m (2022: £58.2m)

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.

	2023	2022
	£000	£000
Income and expenditure account		
Deficit before tax	(574)	(930)
Actuarial gain on pension scheme	-	289
	(574)	(641)
Statement of Financial Position		
Fixed assets	16,232	17,118
Current assets	2,784	2,935
	19,016	20,053
Less: Restricted funding from SportScotland	(3,609)	(3,909)
Share of gross assets	15,407	16,144
Less: Creditors - amounts due with one year	(540)	(703)
Share of net assets	14,867	15,441

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
	2023	2023	2022	2022
	£000	£000	£000	£000
Stock of finished goods	275	275	301	301

17. Trade and other receivables

Trade debtors	11,208	11,208	12,344	12,343
Prepayments and accrued income	14,837	14,837	11,831	11,831
Amounts due from subsidiary companies	-	-	-	-
	26,045	26,045	24,175	24,174

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

18. Investments

Term deposits	47,000	47,000	57,000	57,000
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19. Creditors: amounts falling due within one year

	Consolidated	University	Consolidated	University
	2023	2023	2022	2022
	£000	£000	£000	£000
Loans and leases	993	993	1,196	1,196
Research grants received on account	18,051	18,051	21,204	21,204
Other grants received on account	11,562	11,562	14,965	14,965
Trade creditors	5,658	5,658	5,638	5,638
Social security and other taxation payable	4,127	4,127	4,218	4,218
Accruals and deferred income	28,079	28,047	26,650	26,592
	68,470	68,438	73,871	73,813

Financial instruments included within creditors are carried at amortised cost.

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

	Consolidated	University	Consolidated	University
	2023	2023	2022	2022
	£000	£000	£000	£000
Loans	92,786	92,786	93,071	93,071
Finance lease obligations	22,497	22,497	22,936	22,936
Deferred income	88,546	88,546	90,306	90,306
	203,829	203,829	206,313	206,313

a. Loans are repayable:

Less than one year	286	286	286	286
Between one and two years	286	286	286	286
Between two and five years	10,858	10,858	10,858	10,858
In five years or more	81,642	81,642	81,927	81,927
	93,072	93,072	93,357	93,357

b. Finance lease net obligations committed:

Less than one year	707	707	910	910
Between one and two years	592	592	1,006	1,006
Between two and five years	2,412	2,412	2,785	2,785
In five years or more	19,493	19,493	19,145	19,145
	23,204	23,204	23,846	23,846

c. Deferred income

Less than one year	4,519	4,519	4,371	4,371
Between one and two years	3,571	3,571	3,827	3,827
Between two and five years	7,451	7,451	7,246	7,246
In five years or more	77,524	77,524	79,233	79,233
	93,065	93,065	94,677	94,677

Deferred income relates to capital grants received from government bodies.

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

Loans included above have the following terms:

	Amount	Term	Rate
	£000	Year	%
Bank Loan – Tranche 1	3,450	2031	5.415
Bank Loan – Tranche 2	11,250	2036	3.000
Bank Loan – Tranche 3	7,500	2036	3.072
Bank Loan – Tranche 4	7,800	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	3,072	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. In April 2020, the University received £4m of funding via the Scottish Funding Council's Financial Transactions programme. Bank loans are repayable as follows:

	September	September	September
	2026	2031	2036
	£000	£000	£000
Bank Loan – Tranche 1	1,150	2,300	-
Bank Loan – Tranche 2	3,750	3,750	3,750
Bank Loan – Tranche 3	2,500	2,500	2,500
Bank Loan – Tranche 4	2,600	2,600	2,600
Total	10,000	11,150	8,850

The University refinanced the bank loans in April 2024. The outstanding £30m was fully repaid and replaced with a £30m revolving credit facility, none of which has been drawn down.

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, £22.9m is payable under this agreement which expires in 2037. The terms of the lease include an annual rent review that is applicable from 28 November. The review is based on the RPI index for August and includes provision that the increases will be restricted to between 1% to 5% annually. The University has entered into leasing agreements for IT equipment for £0.3m.

21. Provisions for liabilities

a. Pension provisions	USS Deficit Obligations	Defined Benefit Obligations	Enhanced Pensions	Total Pension Provisions
	£000	£000	£000	£000
Consolidated and University				
At 1 August 2022	98,325	6,805	1,990	107,120
Charged to staff costs	-	3,861	-	3,861
Movements in year	-	-	(320)	(320)
Interest payable	3,255	119	-	3,374
Employer contributions paid	(6,291)	(3,906)	-	(10,197)
Administrative expenses	-	330	-	330
Changes in expected contributions	(9,843)	-	-	(9,843)
Actuarial gain	-	(3,832)	-	(3,832)
At 31 July 2023	85,446	3,377	1,670	90,493

Further information regarding the USS pension scheme and defined benefit obligation schemes is available in note 29.

b. Other provisions	Medical Equipment £000	Other £000	Total £000
Consolidated and University			
At 1 August 2022	300	259	559
Charged in year	-	-	-
Utilised in year	-	(259)	(259)
Released in year	-	-	-
At 31 July 2023	300	-	300

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	2023 Total £000	2022 Total £000
Balance at 1 August 2022					
Capital	19,108	31,124	122	50,354	51,181
Accumulated income	-	7,727	-	7,727	7,239
	19,108	38,851	122	58,081	58,420
			-		
New endowments	-	94	-	94	92
Investment income	318	624	2	944	1,090
Expenditure	(318)	(405)	(75)	(798)	(852)
Net expenditure	-	219	(73)	146	238
Increase/(decrease) in market value of investments	103	216	1	320	(669)
At 31 July 2023	19,211	39,380	50	58,641	58,081
Represented by:					
Capital	19,211	31,258	50	50,519	50,354
Accumulated income	-	8,122	-	8,122	7,727
	19,211	39,380	50	58,641	58,081
Analysis by purpose					
Bursaries				3,485	3,361
Prizes				2,560	2,535
Scholarships				7,305	7,305
Teaching foundations				5,889	5,897
Other restricted purposes				19,105	19,011
Unrestricted				19,211	19,108
Unallocated unrealised gains				1,086	864
				58,641	58,081

The University has one material endowment, the James E Crombie endowment, a permanent endowment with no restrictions, which at 31 July 2023, had a balance of £6.6m made up of a share of pooled investments and cash balances. The fund earned £0.11m during the year, which in line with SORP requirements, was released to the Income and Expenditure Reserve.

23. Cash and cash equivalents

	Consolidated £000	University £000
At 1 August 2022	51,600	42,985
Cash flows	3,071	3,121
At 31 July 2023	54,671	46,106

24. Reconciliation of net debt

Analysis of net debt	Consolidated	University	Consolidated	University
	2023	2023	2022	2022
	£000	£000	£000	£000
Cash and cash equivalents	54,671	46,106	51,600	42,985
Investments	47,000	47,000	57,000	57,000
	101,671	93,106	108,600	99,985
Borrowings: amounts falling due within one year				
Unsecured loans	286	286	286	286
Obligations under finance leases	707	707	910	910
	993	993	1,196	1,196
Borrowings: amounts falling due after more than one year				
Unsecured loans	92,786	92,786	93,071	93,071
Obligations under finance leases	22,497	22,497	22,936	22,936
	115,283	115,283	116,007	116,007
Net debt	14,605	23,170	8,603	17,218
Net debt at 1 August 2022	8,603	17,218	17,386	23,686
Movement in cash, cash equivalents and investments	6,929	6,879	1,927	4,242
Capital repayment of finance leases	(641)	(641)	(424)	(424)
Repayment of unsecured loans	(286)	(286)	(10,286)	(10,286)
New finance leases	-	-	-	-
New unsecured loans	-	-	-	-
Net debt at 31 July 2023	14,605	23,170	8,603	17,218
Change in net debt	6,002	5,952	(8,783)	(6,468)

25. Capital commitments

	2023	2022
	£000	£000
Consolidated and University		
Commitments contracted for	3,438	8,409
Authorised but not contracted for	22,265	17,915
	25,703	26,324

26. Amounts disbursed as agent

	Childcare Funds £000	Undergraduate Funds £000	Postgraduate Funds £000	Covid-19 Funds £000	International Funds £000	2023 Total £000	2022 Total £000
Consolidated and University							
At 1 August 2022	20	3	23	146	57	249	942
Allocation received in year	136	332	72	-	-	540	502
Repaid as claw back	(20)	(3)	(23)	(146)	-	(192)	(261)
Interest earned	3	6	2	-	2	13	3
Transfers	(80)	137	-	-	(57)	-	-
Expenditure	(31)	(378)	(31)	-	-	(440)	(937)
At 31 July 2023	28	97	43	-	2	170	249

These funds are allocated to the University to be paid to students on behalf of the Student Awards Agency for Scotland.

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	-	50
Aberdeen Sports Village Limited*	Joint venture	Operations/Grants	216	1,419
Aberdeen University Students Association*	Charity	Operations/Grants	11	1,080
British Heart Foundation	Charity	Operations/Grants	560	-
Carnegie Trust	Charity	Operations/Grants	102	-
CBI Scotland	Supplier	Operations	-	15
Cruickshank Botanical Gardens Trust	Charity	Operations/Grants	30	-
ONE (Opportunity North East)	Customer	Operations	2	-
Rocking Horse Nursery*	Charity	Operations	858	601
Scottish Environment Protection Agency (SEPA)	Supplier	Operations	-	11
University and Colleges Employers Association (UCEA)	Supplier	Operations	-	2
University of Aberdeen Development Trust DT*	Charity	Operations/Grants	2,452	782
University of Aberdeen Development Trust SCIO*	Charity	Operations/Grants	3,577	262
Universities Scotland	Customer	Operations	1	-

The University of Aberdeen Life Assurance and Superannuation Scheme and the Universities Superannuation Scheme are also regraded as related parties. Details of transactions are included within Note 29.

Those parties marked with * are related to the University as a result of our close working relationships. Others are classed as related parties due to their association with individual Members of Court.

Outstanding balances owed from/(to) the above related parties as at 31 July 2023 are as follows:

	2023 £000	2022 £000
Aberdeen & Grampian Chamber of Commerce	(14)	(2)
Aberdeen Sports Village Limited	107	6
Aberdeen University Students Association	4	(1)
British Heart Foundation	10	168
Cruickshank Botanical Gardens Trust	-	(9)
Hampshire Hospitals NHS Trust	-	(1)
Rocking Horse Nursery	65	-
UCEA	(1)	-
University of Aberdeen Development Trust	26	17
University of Aberdeen Development Trust SCIO	55	-

28. University of Aberdeen Development Trust

The University has access to funds controlled by the University of Aberdeen Development Trust. The Trust is not consolidated within the University Group as in management's judgement the University does not have control of the Trust, further details and included with the statement of principal accounting policies and estimation techniques. As at 31 July 2023, funds under the Trust's control are:

	Funds at 1 August 2022 £000	Incoming Resources £000	Outgoing Resources £000	Transfers £000	Funds at 31 July 2023 £000
Consolidated					
Restricted Funds	35,300	4,222	(3,082)	169	35,889
Endowed Funds	17,411	497	(609)	(169)	17,130
Unrestricted Funds	608	1,355	(1,403)	-	560
Total Funds	53,319	6,074	£5,814	-	53,579

29. 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.

Pension Scheme	Employer Contribution Rate	Employee Contribution Rate	Active Members	2023 £000	2022 £000
As at 31 July 2023					
UASLAS	18.9% ¹	8.0%	669	2,732	2,474
SPF	40.4%	Variable	19	259	264
USS	21.6% ²	9.8%	2,136	21,918	19,861
STSS	23.0%	Variable	1	16	26
NHSS	20.9%	Variable	29	356	356
				25,281	22,981

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

² The employers' contribution rates are as follows:

Effective Date	Rate
1 April 2022 to 31 March 2024	21.6%
1 April 2024 to 31 March 2038	21.4%

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	4.2%	2.7%	2.7%	19.1	22.0	20.3	23.9
UASLAS	5.3%	3.4%/4.0%	See below	20.7	23.3	22.3	25.8

UASLAS Pension Increase Rates and Inflation Assumptions

	Increase Rate	CPI	RPI
CARE – pre January 2019, pre 2030	2.4%		
CARE – pre January 2019, post 2030	3.0%		
CARE – post January 2019, pre 2030	2.4%		
CARE – post January 2019, post 2030	3.0%		
Final Salary – pre 2030	3.2%		
Final Salary – post 2030	3.0%		
Inflation assumption pre 2030		2.4%	3.3%
Inflation assumption post 2030		3.0%	3.1%

In calculating USS pension provision at 31 July 2022, the University used the discount rate (5.49%) provided by the British Universities Finance Directors Group (BUFDG) and a future salaries increase rate of 4.5% for financial years 23/24 to 25/26, and 3.0% thereafter.

29. Pension schemes - continued

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 2023.

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 2020 (the valuation date), which was carried out using the projected unit method.

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

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles.

CPI Assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040.
Pension increases (subject to a floor of 0%)	CPI assumptions plus 0.05%
Future improvements to mortality	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post retirement: 1.00% p.a.
The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:	
	101% of S2PMA "light" for males and 95% of S£PFA for females.
Future improvements to mortality	CMI_2019 with a smoothing parameter of 7.5, an initial addition of 0.5% and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

29. Pension schemes - continued

The current life expectancies on retirement at age 65 are:

	2023	2022
Males currently aged 65 (years)	24.0	23.9
Females currently aged 65 (years)	25.6	25.5
Males currently aged 45 (years)	26.0	25.9
Females currently aged 45 (years)	27.4	27.3

The Universities Superannuation Scheme (USS)

A deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 to 31 March 2024 at which point the rate increased to 6.3%. The 2023 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.

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	3,124
0.5% increase in salary inflation over duration	3,168
0.5% increase in staff changes over duration	3,069

USS Post balance sheet date events

The March 2022 USS valuation exercise has concluded with the Scheme returning to a surplus. As a result contribution rates for both employees (6.1%) and employers (14.5%) have been reduced from 1 January 2024, and no longer include a deficit recovery element. As the pension deficit liability is based on these deficit recovery contributions, the liability will be reversed during financial year 2023/24.

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 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 31 July 2022 actuarial valuation exercise was completed in November 2023 with a revised deficit of £9.6m. Employer contribution rates will increase to 19.3% from 18% with a deficit recovery contribution of £0.725m p.a. until 31 July 2033.

The power to appoint Trustees is vested in the University Court. Court appoints four Trustees including an independent chair 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 2022/23 the Trustees met four times.

29. Pension schemes - continued

University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS)

Scheme Assets	2023	2022
	Fund Value	Fund Value
	£000	£000
Equities	16,858	27,280
Property	11,867	15,318
Government bonds	4,967	4,585
Corporate bonds	43,369	50,516
Liability driven investments	32,778	-
Secured positions	494	650
Cash	3,175	5,503
Other	1,251	44,072
	114,759	147,924

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 £494,000.

At 31 July 2023, the defined benefit deficit of the scheme was £12.2m (2022: £9.5m).

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. 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 2022 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. A separate adjustment was not required for assumptions made as at 31 July 2023.

The Strathclyde Pension Fund (SPF)

The University became an employing organisation within the Strathclyde Pension Fund (SPF) following a merger with the Northern College of Education in 2001. The scheme was closed to new entrants at the point of merger and as of 31 July 2023, there were 19 active members employed by the University. The Scheme 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. As a refund from the scheme would only be available if the University were to exit the scheme, any pension asset on the basis of this theoretical right to refund pension asset is valued in accordance with the cessation policy with the Strathclyde Pension Fund's Funding Strategy Statement.

29. Pension schemes - continued

Scheme Assets	2023	2022
	Fund Value	Fund Value
	£000	£000
Equities	14,151	13,982
Bonds	6,264	6,292
Property	2,320	2,563
Cash	464	466
	23,199	23,303

At 31 July 2023, the defined benefit surplus for the scheme was £8.9m (2022: surplus of £2.7m).

SPF Post Balance Sheet Event

On 16 June 2023 there was a high court ruling in the Virgin Media v NTL Pension Trustees II Ltd (and others) case regarding the validity of amendments to post 6 April 1997 benefits in formerly contracted-out salary-related pension schemes. This ruling may have a potential future impact on the Local Government Pension Scheme benefits as the Local Government Pension scheme has made amendments since 1997 and these amendments did impact member benefits. No adjustments have been made to the financial statements, as the impact of the ruling has not yet been determined.

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 2022 as follows:

	2023	2022
Discount Rate	5.3%	3.5%
Pension Increases: Pre 2030:	2.4%	2.3%
Pension Increases: Post 2030	3.0%	2.9%

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).

29. Pension schemes - continued

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

		2023	2022
		£000	£000
Old Scheme	Academic staff	114	118
	Support staff	5	7
New Scheme	Academic staff	89	92
	Support staff	38	36
Total		246	253

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

	2023	2022
Results	£000	£000
Liability on this basis at 31 July	1,670	1,990

Combined disclosures – Defined Benefit Schemes

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

	2023	2022
	£000	£000
Analysis of amounts recognised in surplus/(deficit) for the year		
Employer service cost	3,861	5,311
Administrative costs	330	330
Net interest cost	119	333
	4,310	5,974
Analysis of other comprehensive (deficit)/income		
Actuarial gains	39,246	47,439
Return on assets excluding amounts in net interest	(35,414)	(31,623)
	3,832	15,816
Analysis of amount shown in the statement of financial position:		
Actuarial value of scheme liabilities	(141,335)	(178,032)
Fair value of assets	137,958	171,227
Defined benefit liability at end of year	(3,377)	(6,805)

29. Pension schemes - continued

	2023	2022			
	£000	£000			
Analysis of amount shown in the statement of financial position:					
Defined benefit liability at end of previous year	(6,805)	(20,341)			
Current service cost	(3,861)	(5,311)			
Past service cost	-	-			
Net interest charge	(119)	(333)			
Administrative costs	(330)	(330)			
Employer contributions	3,906	3,694			
Planned changes to schemes	-	-			
Actuarial (loss)/gain	3,832	15,816			
Defined benefit liability at end of year	(3,377)	(6,805)			
Change in scheme assets:					
Fair value of assets at prior year end	171,227	202,648			
Administrative expenses	(330)	(330)			
Interest income	5,915	3,407			
Actuarial (loss)/gain on assets	(35,414)	(30,721)			
Employer contributions	3,906	3,694			
Scheme participants contributions	190	119			
Benefits paid from scheme assets	(7,536)	(7,590)			
Fair value on assets at current year end	137,958	171,227			
Change in actuarial value of scheme liabilities:					
Scheme liabilities at prior year end	178,032	222,989			
Employer service cost	3,861	5,311			
Interest cost	6,034	3,740			
Scheme participants contributions	190	119			
Loss on planned changes	-	-			
Actuarial (gain)	(39,246)	(46,537)			
Benefits paid from scheme assets	(7,536)	(7,590)			
Scheme liabilities at current year end	141,335	178,032			
Five-year history of assets and liabilities:					
	2023	2022	2021	2020	2019
	£000	£000	£000	£000	£000
Deficit in the schemes:					
Actuarial value of scheme liabilities	(141,335)	(178,032)	(222,989)	(227,787)	(207,006)
Fair value of assets	137,958	171,227	202,648	189,494	184,931
Deficit in the scheme	(3,377)	(6,805)	(20,341)	(38,293)	(22,075)

30. Lease obligations

Total rentals payable under operating leases:	2023	2022
	£000	£000
Payable during the year	311	304
Future minimum lease payments due:		
Not later than one year	171	298
Later than one year and not later than five years	40	14
	211	312

31. 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 37 Albyn Place, Aberdeen, AB10 1YN.

32. 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
	2023	2023
	£000	£000
Assets measured at fair value through income or expenditure		
- Amounts included in non-current assets (note 14)	59,141	74,008
- Current asset investments (note 18)	47,000	47,000
Assets measured at cost less impairment (note 17)	26,045	26,045
Liabilities (excluding loans) measured at amortised cost (note 19)	67,477	67,445
Loan commitments measured at amortised cost (note 20)		
- Loans	93,072	93,072
- Finance lease obligations	23,204	23,204

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 2023, 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 current cost of living pressures and difficult economic climates in certain geographic areas. As a result the bad debt provision was increased by £1.5m 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. 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. Most of the University cash deposits at the 31st July 2023 are on-call or on short-term deposit 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.

33. US Education Department Supplemental Schedule

In satisfaction of our obligations to facilitate student's access to the US federal financial aid, the University of Aberdeen is required by the US Department of Education to present the following Supplemental Schedule in a prescribed format

The amounts presented within the schedules have been

- prepared under the historical cost convention, subject to the revaluation of certain fixed assets
- prepared using UK GAAP, in accordance with FRS102 and the SORP: Accounting for Further and Higher Education (2019)
- are presented in pound sterling (GBP)

The schedules set out how each amount disclosed had been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting policies that are generally accepted in the United States of America.

		2023	2022
		£000	£000
Primary Reserve Ratio			
	Expendable Net Assets	(15,550)	(16,272)
Net assets without donor restrictions	Income and expenditure reserve (SOFP)	139,592	124,854
	Revaluation reserve (SOFP)	165,401	168,580
Net assets with donor restrictions in perpetuity	Endowment assets (SOFP)	58,641	58,081
	Restricted permanent endowments (note 22)	(39,308)	(38,808)
	Unrestricted permanent endowments (note 22)	(19,211)	(19,108)
Term endowments with donor restrictions	Expendable endowments (note 22)	(122)	(165)
Restricted reserves	Restricted reserves (SOFP)	-	-
Net property plant and equipment (PPE)	Fixed assets – non-current assets (note 13)	(503,841)	(510,002)
Lease – right of use assets	Fixed assets – non-current assets (note 13)	(20,888)	(21,990)
Net PPE – pre-implementation lease	Fixed assets – non-current assets (note 13)	20,888	21,990
Intangible assets (goodwill)	Fixed assets – non-current assets (note 13)	-	-
Long term debt obtained for long term purposes	Loans (note 20)	93,072	93,357
Provision, post-employment and defined benefit plan	Pension provisions (note 21a)	90,493	107,120
Unsecured related parties' receivable	Related parties (note 27)	(267)	(191)
	Total Expenses and Losses	272,751	256,306
Total operating expenses without donor restrictions	Total expenditure (SOCl) less endowments spend (note 22)	258,572	312,801
Pension provision adjustments	Note 21 a – USS	12,879	(58,199)
Loss on disposal of fixed assets	Statement of comprehensive income	9	48
Unrealised loss on revaluation of fixed assets	Statement of comprehensive income	717	926
Loss on investments	Statement of comprehensive income	-	757
Loss on investments (endowments - restricted)	Endowments (note 22)	-	(669)
Operational loss on joint venture	Statement of comprehensive income	574	642

33. US Education Department Supplemental Schedule - ctd

		2023 £000	2022 £000
Equity Ratio			
	Modified Net Assets	363,367	351,334
Net assets without donor restrictions	Income and expenditure reserve (SOFP)	139,592	124,864
	Revaluation reserve (SOFP)	165,401	168,580
Net assets with donor restrictions	Endowment assets (SOFP)	58,641	58,081
Restricted reserves	Restricted reserves (SOFP)	-	-
Intangible assets (goodwill)	Fixed assets – non-current assets (note 13)	-	-
Unsecured related parties' receivable	Related parties (note 27)	(267)	(191)
	Modified Assets	705,571	717,207
Total non-current assets	Statement of financial position	598,735	606,312
Total current assets	Statement of financial position	127,991	133,076
Intangible assets (goodwill)	Fixed assets – non-current assets (note 13)	-	-
Pre-implementation lease asset	Fixed assets – non-current assets (note 13)	(20,888)	(21,990)
Unsecured related parties' receivable	Related parties (note 27)	(267)	(191)
Net Income Ratio			
	Change in Net Assets with Donor Restrictions	11,549	(38,963)
	Total Revenue and Gains	267,589	259,726
Total income	Statement of comprehensive income	268,635	260,909
Restricted endowments and donations	Statement of comprehensive income	(94)	(92)
Restricted investment income	Endowments (note 22)	(944)	(1,091)
Gain on disposal of fixed assets	Statement of comprehensive income	-	-
Unrealised gain on revaluation of fixed assets	Statement of comprehensive income	-	-
Gain on investments	Statement of comprehensive income	312	-
Gain on investments (endowments - restricted)	Endowments (note 22)	(320)	-
Operational gain on joint venture	Statement of comprehensive income	-	-
Comprehensive Score			
Primary reserve ratio		(0.2)	(0.3)
Equity ratio		1.2	1.2
Net income ratio		0.7	(0.6)
Comprehensive score		1.7	0.4

PRINCIPAL ADVISORS

Auditor - External	EY LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
Auditor - Internal	PricewaterhouseCoopers LLP 141 Bothwell Street Glasgow G2 7EQ
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Legal Advisors	Shepherd and Wedderburn LLP 37 Albyn Place Aberdeen AB10 1YN
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
Athena Swan	Charter to encourage and recognise commitment to advancing the careers of women in science, technology, engineering, mathematics 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.
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.
Commercialisation Committee	A committee of Court to oversee the development (and resourcing) of the University's strategic approach to commercialisation of research and innovation.
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	An illness that can affect your lungs and airways. It is caused by a virus called coronavirus.
Financing and Resourcing Committee	A committee of Court to oversee the University's financial affairs with a focus on ensuring that University's approach to revenue, resource and capital planning mature in support of Aberdeen 2040.
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.
HESA	The Higher Education Statistics Agency, experts in UK higher education data who collect, assure and disseminate data about higher education in the UK.
NHSSS	National Health Service Superannuation Scheme (UK)

National Student Survey (NSS)	The National Student Survey gathers opinions, from mainly final-year undergraduates, about their time in higher education. It is an influential source of public information about higher education and gives students a powerful collective voice to help shape the future of their course and their institution for current and prospective students.
OSCR	Office of the Scottish Charity Regulator – independent regulator and registrar of Scottish charities.
Pension Mortality Tables - S1NA ["light"] YoB	Standard Year of Birth mortality tables used for USS pension scheme. Tables are based on Normal Health pensioners.
Public Bodies Climate Change Duties (PBCCD) Framework	The duties require public bodies in Scotland to contribute to climate change mitigation and to climate change adaptation, 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.
REF	Research Excellence Framework, an assessment of the quality of research in UK higher education institutions.
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.
Scope 1 Emissions	Scope 1 covers emissions from sources that an organisation owns or controls directly.
Scope 2 Emissions	Scope 2 are emissions that a company causes indirectly and come from where the energy it purchases and uses is produced.
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 a first reference point on the path to finding a university place. It contains full profiles of all universities.
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.
US GAAP	United States Generally Accepted Accounting Principles.
USS	Universities' Superannuation Scheme

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