

UNIVERSITY of
STIRLING



50^{YEARS}

Financial Statements

2016–2017

BE THE DIFFERENCE

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Principal's introduction

Stirling has maintained its strong position in UK and international rankings during the 2016-17 academic year, while enhancing our reputation as an institution of excellence.

We graduated more than 3,200 students – drawn from over 85 countries – and our research income totalled more than £10 million. It was a special time for the University, as we marked the 50th anniversary of our founding. The University has hosted a number of dedicated anniversary events, including a series of lectures, open days and reunions. Our Art Collection is focusing on the cultural impact of 1967, through numerous audio-visual events, and we launched our 50th anniversary commemorative publication. Our anniversary year offered an opportunity to reflect on the University's significant contribution locally, nationally and internationally – providing inspiring learning and teaching, and impactful research.

This year, the University was operating in the first full year of our Strategic Plan 2016-2021. We are mindful that the impact of the UK's decision to leave the European Union will unfold as we progress through the next five years but are confident that – by pursuing our strategy and enhancing our excellent teaching and research activities – we can adapt to this dynamic and increasingly competitive business environment. We, therefore, remain committed to our ambitious targets: to be one of the top 25 universities in the UK; increase our income by £50 million; enhance our research profile by 100 per cent; and ensure internationalisation is at the heart of everything we do. Our commitment to achieving these goals will allow us to transform the lives of our students, develop our staff and make a difference to society.

We were greatly encouraged, in January, to find we were top in Scotland for welcoming international students – who make up 20 per cent of our 14,000-strong student body – according to the International Student Barometer. The survey also found the University was 1st in the UK for campus environment, 1st in Scotland for good teachers, quality lectures and performance feedback, and 1st in Scotland for sports facilities.



In April, the University was named in a global list of top universities under the age of 50, by Times Higher Education (THE). By reaching 47th place in the world and 2nd in the UK in THE's Young University Rankings, Stirling climbed eight places and broke into the prestigious list's top 50. In May, we moved up the Guardian University Guide rankings, rising to 54th in the UK and 8th in Scotland. In particular, Stirling saw higher scores in relation to student satisfaction with courses and feedback. As we celebrate 50 years of innovation and excellence, these accolades reinforce the quality of our research and the impact it has on society; our excellence in teaching; the skills and competencies of our graduates, and our growing global reputation.

Stirling celebrated its place as Scotland's top-performing University at the Rio Olympics, last August. Scotland equalled the country's best-ever medal tally from any Games, matching the 13 from London four years before, and Scotland's University for Sporting Excellence proudly delivered more than 20 per cent of the tally.

“Our anniversary year offers an opportunity to reflect on the University's significant contribution locally, nationally and internationally”

This year, the new University of Stirling INTO Building opened at the heart of our Stirling campus. The building welcomed its first intake of INTO students in September 2017, offering our INTO students easy access to first-class study and social facilities. The project supports our commitment to work with partners to grow our international student population.

At Stirling, we take pride in the work of our world-class researchers. One of our research studies, published this year, was the first to explore the true impact of heading a football, identifying small but significant changes in brain function immediately after routine heading practice. These findings will open up new approaches for detecting, monitoring and preventing cumulative brain injuries in sport.

Our researchers also found that health and exercise sessions offered to people recovering from heart disease could also help patients who have undergone bowel cancer surgery. Meanwhile, another study revealed pesticides may be damaging bumblebees' ability to produce the “buzzing” – or vibration – that enables them to pollinate key commercial food crops. These examples provide a flavour of the impactful and diverse work which has, this year, further enhanced Stirling's global reputation for delivering world-leading research that addresses the needs of society and helps positively shape the future.

Looking forward, the roll-out of our new University brand, the implementation of our Research Excellence Framework preparations, and the development of our “Campus Central” capital project, which aims to ensure our students benefit from a vibrant, attractive, student-centred environment, are a few key projects on our agenda.

By continuing to work together, I am confident the next 50 years will be equally as transformational for Stirling's students, staff and the local, national and international communities we serve.

A handwritten signature in black ink, appearing to read 'G. McCormac', written in a cursive style.

Professor Gerry McCormac
Principal and Vice-Chancellor

Constitution, governance and regulation

The University of Stirling was established by Royal Charter (RC 000669) in 1967 and is a charity registered in Scotland with the Office of the Scottish Charity Regulator (SC011159). The University is a public benefit entity. The Charter outlines the role of the University and how the University should be governed. In accordance with the Charter, the Court is the governing body of the University. It has overall responsibility for the management of the University's resources, the on-going strategic direction of the University and the approval of major developments. It also receives regular reports from Executive Officers on the day-to-day operations of the University's business. The University does not have any shareholders and all of its surpluses are reinvested to further the charitable aims set out in its Royal Charter.

Academic Council is the body responsible for the work of the University (teaching and research) and for the regulation and superintendence of the education, discipline and welfare of the students of the University. While Court has the final responsibility for governing the University, on academic matters it will normally only act on the recommendation of Academic Council.

The University's corporate governance arrangements and a list of the members of the University Court and Committees during the year ended 31 July 2017 can be found on page 23.

Strategic Report

The University's Strategic Plan 2016-2021 was approved by University Court in December 2015 and launched in April 2016.

Our values

Our vision is to be recognised across the world as a university that addresses the needs of society through innovative interdisciplinary research; learning and teaching of the highest quality; and by sharing our knowledge with the world.

Our purpose is defined as:

- Developing people and helping society through the pursuit and understanding of knowledge
- Transforming the lives of our students and staff by giving them opportunities to reach their full potential
- Creating global citizens to identify and meet the changing needs of society

Our values inform everything we do and underpin our actions. They are the foundation upon which we develop and grow as an institution:

- **Excellence** – leading the way globally in our areas of research expertise and through the delivery of an outstanding learning experience
- **Openness** – being open in all we do, communicating the work and worth of the University to the wider world, and engaging people in the delivery of our vision

- **Ambition** – growing the University in innovative ways, embedding sustainability, and making it a role model for the sector

Our strategic objectives

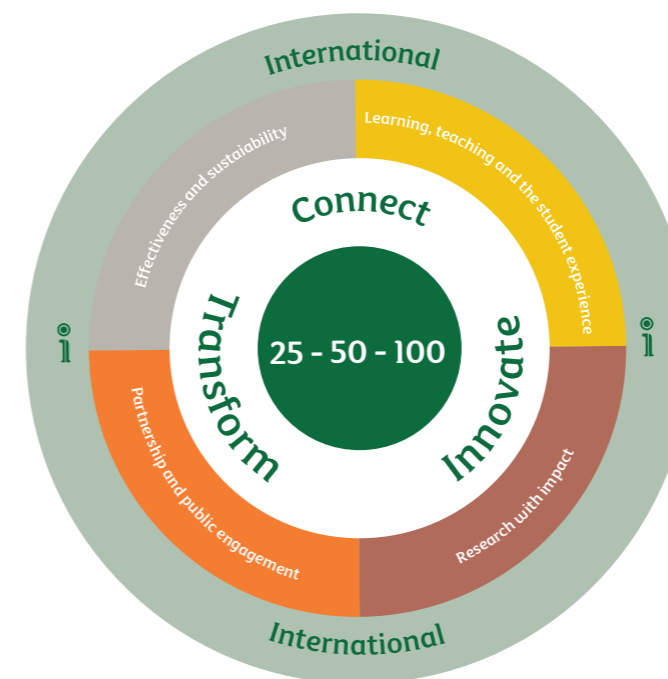
We are ambitious. During the development of our strategy, we were clear that we must set our aims high. This is the best way of securing our achievements and the surest way to build on them.

We want to be a globally-connected university. We will continue to build and strengthen further our international links by connecting with partner universities, organisations and people around the world; producing research with global relevance and impact; and graduating students as global citizens, who will play a leadership role in their communities, wherever they live. Central to these goals is ensuring internationalisation is at the heart of everything we do.

The Strategic Plan can be accessed on stir.ac.uk/about/our-strategy

We have a set of overarching institutional objectives that will help us focus on the steps needed to achieve our goals. We want to:-

- Be one of the top universities in the UK
- Increase our income by £50 million
- Enhance our research profile by 100 per cent
- Ensure internationalisation is at the heart of everything we do



Our objectives are underpinned by a more detailed set of operational strategies and performance measures that are monitored regularly, individually, collectively and by the University Court.

In delivering our 25-50-100i objectives, we are focusing on four key areas:

Learning, teaching and the student experience

To achieve our learning and teaching objectives we are working with businesses, the public and the third sectors to identify and embed skills that will enhance the employability of our students, and give them the tools they need to build successful careers. To supplement the Strategic Plan we implemented the University of Stirling Employability Strategy which is clear in its ambition to "develop aspirational students and graduates with lifelong employability skills who can

compete successfully in a competitive global economy". We will be seeking to connect student and staff with businesses locally, nationally and globally to create mutually beneficial outcomes; innovate to create opportunities that ensure all graduates are equipped with the life-long career management skills and the resilience to succeed in the job market and transform student opportunity by creating an innovative curriculum and student experience that embeds employability practice from pre-arrival through to graduation. We will increase the proportion of leavers entering graduate level jobs to 85 per cent and include work-based and/or work-related learning in all taught courses.

To measure our success in meeting all our learning, teaching and student experience objectives we have a range of additional challenging targets. We aim to be placed in the top-quartile of UK universities in student satisfaction scores in the National Student Survey (NSS), Postgraduate Taught Experience Survey (PTES) and Postgraduate Research Experience Survey (PRES). By 2021, we should have increased taught postgraduate student numbers by 20 per cent and increased overseas student numbers by 65 per cent.

Research with impact

We believe that the most effective universities embrace a strong research ethos benchmarked against international standards. Groundbreaking research is one of the ways that we make an impact on society, at home and abroad. Our energetic research community conducts quality research relevant to society's needs. We have key strengths across our three research themes of Living Well, Global Security and Resilience, and Cultures, Communities and Society. The University has established 12 interdisciplinary research programmes alongside the overarching research themes. These themes and programmes are the engine house of the University's major strategic research activity. To reach our research objectives we will collaborate with business and industry, other universities and the public sector to ensure our research directly benefits society, nationally and internationally. We will also seek to extend and strengthen our research partnerships and collaborations, and develop and enhance research leadership across all academic areas by creating an ethos that encourages personal development, interdisciplinary work and mentoring. To measure our success, by 2021 we want to have secured a place in the global top 200; increased externally-funded research-only staff numbers by 30 per cent; grow the number of teaching and research staff towards a target of 500 and achieve an annual year-on-year increase in income from our enterprise activities.

Partnerships and public engagement

One of the clear ambitions of our strategy is developing long-term intellectual capital, and economic and environmental sustainability. We feel that it can be best achieved by securing active support for our vision from government, major funders, business and industry, and broader civic society. The better we understand the needs of our partners and the more they value our work, the easier it will be to deliver our overall strategy.

We have a series of targets to measure our success in meeting these objectives. Amongst these, we are expecting to grow the number and quality of partnerships the University has with industry, policy makers and other higher education institutions in the UK and globally. We will also develop up to five key multi-dimensional and long-term overseas partnerships with leading international institutions.

Effectiveness and sustainability

As a global university, we have an important role to play in promoting sustainability and a duty to nurture our resources, both human and physical. Increasing constraints on resources requires us to be more efficient and effective than ever before. In order to achieve this, we will deliver operational best practice, ensuring it supports innovative learning and teaching; generate new income streams to invest in institutional priorities to increase the University's self-reliance and be creative in how we manage our assets to maximise their use and income raising potential.

We are measuring our success against this with the following outcomes and targets. We are aiming to increase our annual income by £50 million from the 2014-15 baseline of £111 million, and generate sufficient revenue to invest in institutional priorities throughout the lifetime of the Strategic Plan. Through our staff survey we are measuring whether we are achieving our target of being a sector leader ranked in the top quartile as "a good place to work".

Our structure and people

The University is organised into five academic faculties for learning, teaching and research. In addition, Stirling Graduate School provides a virtual hub for Stirling's postgraduate community. Administrative support for the broad and diverse range of the University's activities is provided by University Services. The majority of operations are carried out on the University's main Stirling campus. During 2016-17, the University also had centres of excellence in the teaching of nursing in Inverness and Stornoway. In August 2017, following a review of nursing provision in Scotland, the University of the Highlands and Island (UHI) took over responsibility for the provision of nursing education in Inverness and Stornoway.

The University of Stirling will provide support to UHI and ensure a high quality student experience is provided for University of Stirling students who will remain studying at these campuses for the next two years.

Faculty	2016/17
Faculty of Arts and Humanities	3,542
Faculty of Health Sciences and Sport	2,848
Faculty of Natural Sciences	2,659
Faculty of Social Sciences	2,258
Stirling Management School	2,310
INTO Joint Venture	559
Professional practice and CPD	190
Grand Total	14,366

Table 1 Student headcount by Faculty for academic year 2016-17.

The University places considerable value on the involvement of its employees and on good communication with them. Staff are informed through regular line manager meetings, the University intranet, weekly e-bulletins, and open forums such as the staff assembly. Staff are encouraged to participate in the anonymised staff survey. Staff are also encouraged to participate in formal and informal consultation at University, Faculty and Professional Services levels through membership of formal committees and informal working groups.

The University also provides training to all levels of staff and helps to build leadership capacity through participating in training programmes for first line managers, networking skills, and the Aurora programme which seeks to address positively the under-representation of women in leadership positions in the sector. In 2016-17, recognising that around 15 per cent of staff are from the European Economic Area, the University organised an immigration law specialist from the University's legal advisers to give a briefing to concerned staff on the possible residency implications of the Brexit vote.

Equality and diversity

The University is a place where everyone is treated with respect and where ability – not background – is valued. We are open with one another and support people with specific needs; we acknowledge difference, and respect the right of students and staff to hold differing views. The University has a responsibility to ensure that no individual will be disadvantaged as a consequence of their age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

To continue compliance with legislation and the University's equality duties, the University updated its Equality Outcomes in Spring 2017 for the period 2017 – 2021. The revised outcomes set four priorities:

- Gender equality
- Mental Health and Wellbeing
- Retention, continuation and success
- Interculturalism and Respect

These far-reaching priorities are underpinned with a suite of commitments and actions, which are monitored on a quarterly basis and reported biennially.

The equality outcomes seek to drive forward new initiatives supporting equality and diversity, and build on the underpinning good practice of the University's commitment to these areas. The promotion of equality of opportunity has been a fundamental value of the University of Stirling since its establishment in 1967. Our charter states that "the University shall be committed to the fair and equal treatment of every person and shall not discriminate on unjustified, irrelevant or unlawful grounds."

The University's new Strategic Plan 2016-2021 maintains our commitment to equality and diversity. One of the key objectives of the Strategic Plan is to "create an inclusive environment, actively promoting equality and enriching our students' lives by encouraging them to experience and understand the different cultures, beliefs and traditions of our student body".

We are very proud of the progress we have made to eliminate discrimination, to advance equality of opportunity and to foster good relations:

- In our most recent staff survey (2015), 98 per cent of respondents believed that the University respected equally people of different nationality/ethnicity, sexual orientation, religion or belief, marital and civil partnership status
- In 2017, 91 per cent of our final year students (NSS respondents) and 93 per cent of international students (International Student Barometer respondents) believed that the University was committed to equality and diversity

- Our governance committees (Academic Council and University Court) are increasingly age and gender-balanced with 53 per cent of Academic Council members under 50, and 48 per cent of members of Court were female in August 2016

These successes are underpinned by a number of actions and activities. We believe the following are key:

- The University of Stirling is one of the strongest supporters of Aurora, a leadership development programme for women in HE, in the UK – consistently sending one of the highest annual cohorts. Since 2012, more than 100 University of Stirling staff have participated in Aurora
- The active partnership with our Students' Union through participation in the Equality Action Forum and Equality Steering Group. The joint development of the Preventing and Tackling Sexual Violence and Misconduct Strategy in 2016-17 is evidence of the impact of this partnership

A core aspect of meeting the general equality duty is through raising awareness and understanding by the delivery of training and events. The University has developed its equality and diversity related training to include sessions on:

- Equality & Diversity in the Workplace
- Equality Impact Assessment
- Workshop to raise awareness of Prevent (Wrap)
- Preventing sexual violence: initial awareness raising training
- Unconscious bias in Higher Education
- Personal Brand and Impact
- Academic Promotions
- Taking Control of your Career
- W360 – Developing Women Leaders in University Administration

The University received an institutional Athena SWAN bronze level award in April 2013 in recognition of our support for female academics in Science, Technology, Engineering, Mathematics and Medical (STEMM) disciplines and this was re-awarded in April 2017. In November 2015, the Division of Biological & Environmental Sciences and the School of Health Sciences (now the Faculty of Health Sciences & Sport) were each awarded Bronze departmental awards. Our Strategic Plan commits the University to achieving an institutional silver Athena SWAN award and a departmental gold award by 2021.

A full assessment of the equality outcomes from 2013-2021 and progress so far is available here:

stir.ac.uk/equalityanddiversity/equalityoutcomes

Understanding our risks

Risk management, internal control and changes in the external environment

The University engages in a range of activities in pursuing its Strategic Plan objectives and in doing so will assess the level of risk associated with those activities. Risk is considered from two perspectives: the probability or likelihood of an event occurring and the impact if such an event were to occur. Some of the University's activities will be judged to be low in terms of risk likelihood and impact, and others may be highly likely to occur or high in terms of the potential impact. The University will manage the risks associated with individual activities through a system of internal controls and, if appropriate, external controls. Activities that are judged to be high risk will be undertaken only where they offer benefits proportionate with the level of risk involved and do not increase risk to an unacceptable level, for instance, where an adverse outcome would seriously jeopardise the overall achievement of the University's Strategic Plan.

When considering the risks associated with new activities we take into consideration other existing activities or planned projects which when considered cumulatively could lead to a greater risk to the University than the individual projects alone. There may be occasions where projects are considered of significant importance to the University to justify increased risk exposure. The rationale for supporting this decision will be included in the relevant documentation and risk registers along with details of mitigating action.

The exposure to risk is normally expressed in terms of the failure to reach an objective and the operational, reputational and financial damage that may be incurred as a result. The register of Strategic Risk helps the University to measure and assess the most significant threats and opportunities that could impact on delivery of Strategic Plan targets. The risk register highlights a range of risks, some of which are summarised in Table 2 below. Please note that the risks, are not presented in rank order.

Risk management is dependent upon analysis and understanding of changes in the external environment and the impact on the University. The section below outlines key areas which may impact on the University's achievement of strategic goals.

Scottish Funding Council grants

The public funding for universities in Scotland has decreased year-on-year, a reduction of 3.3 per cent in 2016-17 and 1.3 per cent in 2017-18. The University of Stirling outperformed the sector and has recorded year-on-year increases in funding receipts from the SFC due to excellent performance in REF, increased articulation, and success in recruiting students from a widening access background. For 2017-18, the University is expected to receive £41.2m for teaching, research and capital, an increase of £0.5m. The University was also successful in securing additional investment in education provision for primary and secondary teaching place; doubling our primary education intake from 2017-18 and expanding our partnership for STEMM secondary education with Heriot-Watt University.

Despite this success, the future of funding for the Higher Education sector in Scotland is unpredictable. The University currently receives 38 per cent of its income from the Scottish Funding Council. To mitigate this risk, the Strategic Plan seeks to rapidly increase other income streams and reduce reliance on SFC income.

Risk	Risk mitigation	Link to strategic objective
Further changes to the political landscape in Scotland, UK and EU impacting on the recruitment of Rest of UK (RUK) and international students.	Proactive approach to review the portfolio of taught programmes and to introduce new/remove redundant programmes. This will be informed by market research and will ensure the provision is attuned to demand. Investment in recruitment and marketing will allow increased activity and improved activity in targeting RUK and international student markets.	25: Student satisfaction, employability, non continuation.
Changes to applicant/institution behaviour may result in a significant reduction in tuition fee income from international students.	Diversification of international student population, including the introduction of wholly-online degree programme study. Enhanced recruitment and marketing strategies. Monitoring and improvement of application/offer/acceptance ratio.	25: Student satisfaction, employability, non continuation.
Decision making constrained due to inadequate management information to allow informed decisions. Growing importance of data, market intelligence and student analytics in success of higher education institutions.	Regular reporting of management information to senior teams across academic faculties and services.	25: Student satisfaction, employability, non continuation.
Reduction of Scottish Funding Council (SFC) income, not awarding additional funding or not being able to secure external funding for capital.	Development of options to explore potential funding for new investment linked to strategic ambitions.	50: Income generation.
Reduction in student fee income as a result of failure to recruit sufficient numbers of non-regulated undergraduate and postgraduate students.	Proactive approach to attract high-calibre applicants and improve the conversion rate. From 2016, the University partnered with a third-party company to enhance the quality and capacity of the University in student enquiry management and conversion activities.	50: Income generation.
Forecast levels of tuition fee income not achieved.	Through the review of portfolio of taught programmes the University will be more attuned to current (and developing) market demand for study. This will allow for competitive tuition fees to be set.	50: Income generation.
Impact of Brexit on research income which could potentially lead to existing research grants being terminated, not being awarded grants for UK-led research and decrease in income from EU sources.	Representation through representative bodies to the UK Government, on importance of retaining research funding from EU, through direct links with cross-Europe academies. Diversifying research applications to increase income from other international funding opportunities.	100: Enhancement of our research profile.
Failure of the University to maintain and develop information infrastructure.	Programme of adding resilience where appropriate.	100: Enhancement of our research profile.
Improved performance in Research Excellence Framework (REF) is not sustained.	Improved research management.	100: Enhancement of our research profile.

Table 2 Risk Register Extract

	2016/17	2017/18	% change
Total Teaching grant (excluding nursing)	24,604	25,495	4%
Nursing Grant	7,052	5,784	(18%)
Total Teaching grant	31,656	31,279	(1%)
Research Excellence Grant	6,635	7,192	8%
Research Postgraduate Grant	1,250	1,307	5%
Knowledge Exchange Grant	-	-	-
Knowledge Transfer Grant	-	-	-
University Innovation Fund	416	416	0%
Total Research and Knowledge Exchange	8,301	8,915	7%
Total General Funding	39,957	40,194	1%
Strategic Funding	2,996	3,944	32%
Capital Grants	1,745	987	(43%)
Grant Total	44,698	45,125	1%

Table 3 Breakdown of grant allocation 2017-18 with year-on-year comparison

Brexit – Exiting the European Union

The impact of the vote to leave the European Union is difficult to predict and challenging to identify. The unpredictability of the outcome of the Brexit negotiations risks instability in the HE sector.

There is evidence across the sector, and at Stirling, of the impact of Brexit in reduced interest from staff to move to the UK while there is uncertainty about rights to residency. Applications from EU students to UK universities reduced by approximately 8 per cent in the 2016-17 recruitment cycle. Announcements from the UK and Scottish Governments on the guarantee of continued support for EU students and access to EU research funding during the Brexit negotiations have been welcomed, however there remains long-term uncertainty.

The University is progressing a range of mitigating actions, including the development of partnerships with industry.

Unregulated student growth

The University views growing unregulated student numbers as an institutional imperative. The University strategy projects greatest growth in undergraduate RUK and overseas cohorts, and in postgraduate taught recruitment (PGT). Applications for 2017-18 PGT entry increased by over 20 per cent, in comparison with 2016-17 application levels. The University saw strong growth from existing strong recruitment markets in China and India and significant growth in emerging markets in Africa.

In order to grow unregulated student numbers we began investment in Communications, Marketing and Public Engagement and our International and Student Recruitment teams in 2016-17 to further enhance our student recruitment and marketing activity. The impact of this investment will begin to show in the 2017 and 2018 enrolments. It is anticipated that this will improve the standing, reach and impact of the University internationally. The INTO Joint Venture is a critical partner in delivering international student growth. INTO Joint Venture moved to the new University of Stirling INTO Building in September 2017 and it is expected it will contribute significantly to the number and diversity of our international student population.

Research Excellence and the “Research Excellence Framework (REF) review: Building on success and learning from experience” (Stern Review)

The results of the University’s performance in the 2014 Research Excellence Framework (REF) were outstanding, with the University boosting its position as one of the top research-led universities in the UK. The Strategic Plan ambition will be supported by the institutions preparations for the next Research Excellence Framework assessment, expected in 2021.

Their guidelines for REF2021 are expected to be produced in Autumn 2017 and are likely to incorporate a number of the recommendations from the Stern Review including the requirement to submit all research active staff and the end to portability of research outputs. The non-portability of research output has encouraged universities to launch recruitment campaigns for research active staff much earlier in the REF cycle, prior to an anticipated census date.

The strong performance of Stirling in REF2014 and improved league table positions make the University an attractive institution to join and an ambitious, metrics-driven staff recruitment campaign will make a significant contribution to research and income targets.

Strategic Plan Key Performance Indicators (KPIs)

The University’s Strategic Plan 2016-2021 set ambitious goals and “stretch targets” to drive institutional activity and progress. The key performance indicators are routinely monitored through University Court and actions are approved by Court through the “Making It Happen” operational plan annually. Now set within an exceptionally dynamic external context, these ambitious targets are a greater challenge but we consider that they remain within reach.

At the end of 2016-17, based on the performance trajectory towards the 2020-21 target, 14 Strategic Plan indicators were assigned ‘green’ RAG (red, amber, green) status, 8 were assigned ‘amber’ RAG status and 6 were assigned ‘red’ RAG status.

Be one of the top 25 universities in the UK

The University measures success against the aim to be ‘one of the top 25 universities in the UK’ against a range of performance indicators measuring student satisfaction and student success. The individual metrics aim to retain or reach top quartile performance by the end of the strategic planning cycle in 2021. In 2016-17, the University achieved student satisfaction above sector averages and, for postgraduate taught students, in the top quartile. However, each aspect of the National Student Survey showed reduced satisfaction from the 2015-16 position. Student feedback highlighted particular areas for improvement – particularly in relation to assessment and feedback. This will be a key focus for 2017-18.

Student success continued to be demonstrated. The University maintained excellent student employability levels with 96.4 per cent of graduates in a positive destination and a 2.6 per cent increase in graduates entering graduate-level jobs, as recorded in the Destination of Leavers from Higher Education (DLHE survey).

Improved graduate employability and continued improvement in the tariff scores students held on entry will have a positive impact on Stirling’s domestic league table positions. Improvement is required to reach top quartile scores in the National Student Survey.

Increase our income by £50m

A key priority for the University is to diversify the institution’s income streams and to grow income from unregulated student recruitment, research income and commercial services. The overall University income rose by 3.7 per cent to £117.3m, through successful student recruitment and an increase in Scottish Funding Council income. Successful recruitment saw an increase in tuition fees of £2.2m with particular success in postgraduate taught Home/EU recruitment – increasing the cohort by 12 per cent year-on-year and exceeding the 2016-17 recruitment target. This was countered by below-target growth in international student recruitment for undergraduate and postgraduate research students.

Income from commercial and philanthropic activity increased overall by 7 per cent (£1.5m) year-on-year from 2015-16, but all failed to meet the 2016-17 stretch targets. Income secured through our Commercial Services grew 7.7 per cent year-on-year from 2015-16 to 2016-17, and 13.3 per cent from the baseline year of 2014-15, delivering income in excess of £19m. Investments in commercial and sports facilities in 2017-18 will support increased income generation.

Enhance our research profile by 100%

Stirling is one of the UK’s smallest research-intensive universities, with ambitions to double our research profile by 2021. A suite of performance indicators underpins this ambition measuring growth in academic staffing, postgraduate research student recruitment, research income and international research reputation.

In 2016-17, the University secured growth in the academic staff base, surpassing the 2016-17 milestone. Growing the academic staff cohort is essential to expanding the research profile and to ensuring the University can support the growing student cohort.

The international recognition of the University’s research strength grew in 2016-17; the University rose in the QS World Ranking league tables for citations of academic research outputs from 206th to 184th (ahead of the target of 200).

Research income reduced from £11.492m to £10.227m from 2016-17 to 2017-18 and failed to meet the stretch targets. From 2017-18, a range of interventions will be introduced to increase research performance including the introduction of cross-cutting research themes and programmes to drive innovative, interdisciplinary research, implementing a new research management system to improve efficiency and effectiveness in research application and award management and revisions to the structures for research support to prioritise support for large, interdisciplinary grant applications.

Sustainability

Sustainability is not solely a financial issue. We are using a variety of measures to assess if we are operating today in a way that facilitates our ability to operate in the future. Court and senior managers need to be sure that key resources are being managed effectively to at least maintain the current capacity of the institution to respond effectively to changing demands.

To be sustainable, we need to ensure we are attracting students and high-calibre staff, and that our infrastructure is in good order. The measures included in the University's KPIs have been selected to monitor these areas.

- The largest single source of income for the University is the core grant received from the Scottish Funding Council (SFC), which accounted for 38 per cent of income in 2016-17
- Undergraduate student applications increased by 3.3 per cent for Home/EU student and the University was able to fill all places for 2016-17, including increasing the percentage of ring-fenced places for Scottish students domiciled in more deprived postcodes. The number of RUK and PGT (postgraduate taught) applications grew year-on-year indicating increased success in unregulated markets
- The calibre of students increased year-on-year with average tariff on entry reaching 389, an increase from 385. Tariff is a determinant of likely student success and increased tariff will impact positively on student retention, success, graduate employability and on league table performance
- Recruiting and retaining high-calibre staff continues to be a key focus for the University. New investment in academic staffing was made during previous planning and budgeting cycles and the staff FTE has increased significantly as posts were filled. In 2016-17, the total number of academic staff on teaching and research contracts increased to 392 FTE
- Integrity of the University's infrastructure will be protected through the investment decisions outlined in the University Capital Investment Framework 2017-2022. The Framework outlines £14.9m investment over five years on enabling and protecting the University's infrastructure and a further £65.5m on transformational investment in our campus to support the delivery of strategic objectives

Financial performance

Financial Statements

The financial statements comprise the consolidated results of the University and its subsidiary undertakings, together the 'Group'. The subsidiaries are: Stirling University Residential Accommodation Limited ("SURA"); Machrihanish Marine farm Limited; University of Stirling Education Ltd ("UoS") and Stirling Hotel Services Ltd ("SHSL"). For commercial reasons these activities are channelled through limited companies. The University has also entered into two Joint Venture operations viz, Stirling University Innovation Park Limited and INTO Stirling LLP. More information on these entities can be found at the Notes 12 and 27 of the Accounts.

The deficit after taxation for the year 2016-17 is £0.428m which compares to £3.073m in 2015-16. The University previously considered EBITDA (earnings before interest, tax, depreciation and amortisation) to be the most appropriate measure of financial performance as it is a measure of our operating surplus, excluding the major accounting adjustments and finance charges. It provides a good indicator of the financial capability of the University to service its borrowings and to fund capital expenditure from internally generated cash. However with the adoption of FRS102, the traditional use of EBITDA as a proxy for cash flow could produce some quite volatile results that aren't reflective of the University's underlying cash generation. Increasingly, sector managers and lenders are now reverting to using an annual operating cash flow (AOCF) figure. Against that background, the University AOCF improved from last year due to higher income as a result of securing additional income from the Scottish Funding Council and exceeding recruitment targets for home and EU Taught Postgraduate students. The University forecasts that a strong cash generation performance will be maintained in the following three years of the current strategic plan.

Financial health

The key financial ratios of the University are set out in the table below, and taken together demonstrate the financial health of the University. As a key financial priority, income generation including identifying new target markets from which to recruit new students and improving our portfolio to attract students over the strategic plan period, has been given a high priority. This area also features highly on the corporate risk register. In 2016-17, the University's income generation has improved with a positive movement of £4.083m to £117.337m from 2015-16.

With regard to capital finance, the University has taken advantage of historically low interest rates to secure funding and invest in the student experience and other key aspects of our infrastructure. This has resulted in borrowing of approximately £70 million which equates to 43 per cent of total reserves and will be fully repaid between 2027 and 2048.

Against that level of gearing, the University has net current assets of £45 million. As the University continues to invest in its priority programmes, cash reserves will be used but a strong performance in terms of cash generation is also forecast. The University will therefore continue to generate cash balances that will maintain liquidity and a strong balance sheet.

	2016-17 £'000	2015-16 £'000
Income	117,337	113,254
Expenditure	117,355	115,778
Operating deficit	(18)	(2,524)
Share of operating surplus/(deficit) in joint venture	(225)	(436)
Taxation	(185)	(113)
Deficit after taxation for the year	(428)	(3,073)
Actuarial gain / (loss)	5,418	(9,995)
Total comprehensive income for the year	4,990	(13,068)
Represented by:		
Endowment comprehensive income for the year	7	220
Restricted comprehensive income for the year	(1)	31
Unrestricted comprehensive income for the year	4,984	(13,319)
	4,990	(13,068)
Fixed assets	202,270	201,205
Trade and other receivables	135	582
Investments	113	109
	202,518	201,896
Net current assets	44,846	48,387
Creditors over one year	(68,425)	(69,485)
Provisions	(21,103)	(27,952)
Net assets	157,836	152,846

Table 4 Financial Results

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Income ratios					
Total Income	113,254	117,337	121,855	128,711	132,406
Total Funding Council Grant as % of Total Income	37%	38%	37%	34%	33%
Total non-Funding Council Grant as % of Total Income	63%	62%	63%	66%	67%
Total Education Contracts and Tuition Fees as % of Total Income	27%	28%	31%	34%	36%
Total Research Grants and Contracts as % of Total Income	10%	9%	9%	9%	9%
Total Other Income as % of Total Income	25%	24%	23%	22%	22%
Total Endowment & Investment Income as % of Total Income	1%	1%	0%	0%	0%
Expenditure ratios					
Total Expenditure	115,778	117,355	124,686	126,753	127,065
Staff Costs as % of Total Expenditure	57%	60%	58%	59%	60%
Operating position					
Operating Surplus/(deficit)	(2,524)	(18)	(2,832)	1,958	5,341
Operating Surplus/(deficit) as % of Total Income	(2%)	0%	(2%)	2%	4%
Earnings Before Interest Tax Depreciation and Amortisation	10,901	11,178	7,911	11,680	14,365
Balance Sheet strength					
Overdrafts, Loans, Finance Leases	69,708	69,425	68,750	67,437	57,449
External borrowing as % of total income	62%	59%	56%	52%	43%
Cash Position					
Cash and Current Asset Investments	58,829	55,892	37,893	17,811	15,885
Days Ratio of Cash to Total Expenditure	204	189	117	55	48

Table 5 Financial Ratios

Income

The institutional ambition is to increase our income to more than £165m by 2020-21 and to diversify the institution's income streams. In 2016-17, the University met the milestone for income growth, increasing year-on-year by 3.6 per cent.

Scottish Funding Council (SFC) grants

The University's main grant allocation was announced in May 2016. Across the sector, the total revenue funding allocated by SFC in 2016-17 was down 3.3 per cent compared to 2015-16. The University of Stirling, however, increased SFC funding of £2.463m in 2016-17. The Research Excellence Grant (REG)

was protected so Stirling received its planned uplift following the REF. In total, the University received £44.698m in funding from the SFC, including an additional one-off increase in its capital grant allocation of £0.876m.

Tuition fees and education contracts

Tuition fee income increased by £2.2m (7.2 per cent) year-on-year which was mainly due to an increase in non-EU recruitment both through direct recruitment and the partnership with INTO. There were also price increases associated with non-EU students undergraduate (UG) 2.5 per cent, PGT 4.5 per cent and 2.5 per cent postgraduate research (PGR).

Research grants and contracts

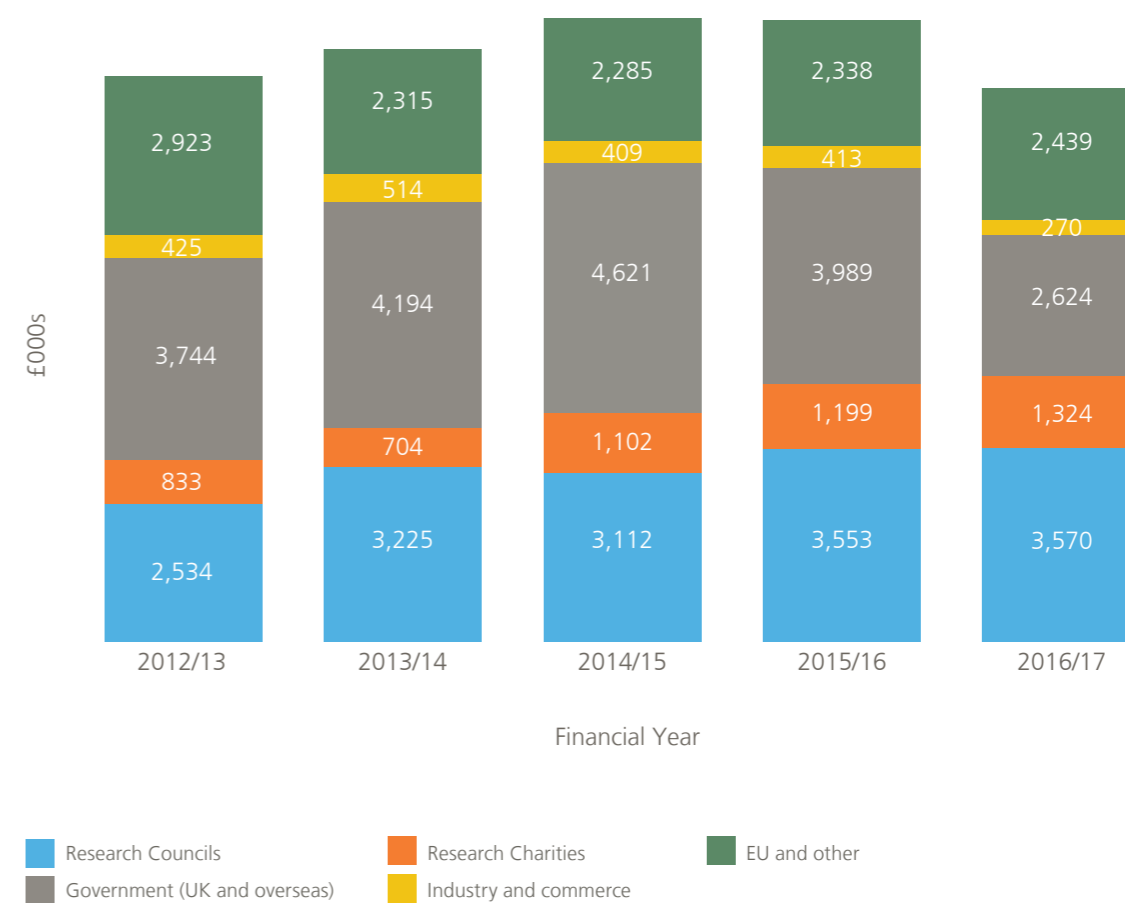


Table 6 Research income

Set within a very challenging environment, research grants and contract income reduced by £1.265m from £11.492m in 2015-16 to £10.227m in 2016-17. Coupled with this has been a reduction in research grant and contract award capture which was also below target. To address these issues, the University is taking steps to enhance its research performance through giving more prominence to the importance of research to our academic output and through appointing excellent, world-leading researchers. A key agent in the optimisation of research performance is the introduction of unifying research themes. The primary purpose of these themes is communication to external funders, partners and stakeholders and to the University's own internal research community. The themes are:

- Cultures, Community and Society
- Global Security and Resilience
- Living Well

If the broad themes are setting the strategic direction for the University's research effort, the engine and cutting-edge of the University's research activity will be the supporting research programmes. These have greater specificity than the themes, connecting interdisciplinary research that cut across all or some of our themes. The programmes will be fluid, link a number of connected externally funded research projects, and will evolve to reflect funders' priorities and emerging strengths and interests.

Other income

Nearly 24 per cent of the University's income is derived from other sources. Other income has increased by £0.709m, due in part to foreign exchange rate gains of £0.229m and improved performance within commercial services attributable to both the increased uptake of catering services (£0.270m) and more selling of our residential accommodation to commercial customers in summer (£0.368m).

Investment income

Investment income is higher than 2015-16 by £0.004m. This was due to the fact that the interest due from our loans held as cash on deposit has increased as the cash was held on deposit for a full 12 months, which was offset with lower investment income on endowments.

Donations and endowments

Donation and endowment receipts have performed less well compared with the previous financial year. Against that it should be borne in mind that the amounts are not material. This is a category of income for which it is difficult to make predictions. The University is committed to growing philanthropic income and building a dynamic alumni engagement programme to help achieve and maintain a sustainable University.

Expenditure

Staff costs

Staff costs increased by £3.830m. This was due to additional pension costs of £1.298m caused by the USS employers' contribution rates increasing by 2 per cent and the intake of additional 20 FTE staff. This increase in staff numbers combined with staff promotions and increments has resulted in a corresponding increase in salary and social security costs of £2.499m. The University has been required to pay the apprenticeship levy which was introduced in 2016-17 at a cost of £0.086m this year. The annual leave accrual for 2016-17 increased by £0.369m due to a number of staff in academic departments having untaken leave at year end. The movement on the USS pension liability has decreased by £0.421m this arose from a change in the actual contribution rate and the current service cost.

Depreciation

Depreciation has reduced by £0.946m. This is a reflection of the fact that last year there was a one-off charge of £0.876m in relation to accelerated depreciation associated with the impairments of fixed assets. In 2015-16 there was also additional one-off depreciation charges totalling £0.636m on Assets Under Construction. These two reductions in depreciation offset against the £0.629m accelerated depreciation on the Gannochy Pavilion.

Interest and other finance costs

Interest and other finance costs have reduced in year by £1.073m. This was due to the fact that we incurred £1.817m of a charge from the settlement of a derivative in 2015-16. This offsets against a higher loan interest charge for the 2016-17 year of £0.5m and a net charge on the USPS pension scheme of £0.242m.

Balance sheet and cash flow

Capital expenditure

The University invested £10.560m in capital additions which included the completion of the University of Stirling INTO Building at a total cost of £6.5m. Other projects include the fire reinstatement at Milnholm (£0.407m), Network Development (£0.250m), Strategic space rationalisation (£0.152m) and the creation of the new Learning Hub (£0.101m). The depreciation charge in year of £9.466m offset against these additions and resulted in a net increase in fixed assets of £1.065m.

Current assets

The net current asset position of the University reduced by £4m. This was primarily caused by the reduction in our cash balances due to the University investing in fixed assets and as a result of debt service costs. Notwithstanding, the University continues to generate strong operating cash flows, liquidity and current ratios and forecasts that this will continue over the strategic planning cycle.

Long-term borrowings

Long-term borrowing stands at £69.425m which is a £0.223m decrease. In addition to the £19.735m Revolving Credit facilities, the University has a £49.690m private placement. The final repayment on these loans will be completed in 2048, and this debt appropriately reflects the long-term nature of the investments made in fixed assets.

Provisions

The balance sheet includes pension provisions of £18.478m. The USPS provision showed a large reduction (£5.762m) in its valuation. This was due to the scheme having benefited from large actuarial gains arising from a recovery in certain bond rates which are used to discount future pension liabilities into today's prices. Thus expressed in today's terms, financial liabilities have reduced. That combined with the improved performance in pension investments has seen the provision reduce by £5.767m as described above.

Prompt payment to suppliers

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

The University paid 74 per cent of its invoices within 30 days of receipt of a valid invoice.

Our priorities for the future

While good progress has been made in 2016-17, the Strategic Plan's targets remain ambitious. The University is embarking on a period of investment in 2017-18 to help realise these targets, particularly investing to support unregulated student recruitment growth and in preparation for the Research Excellence Framework 2021.

The University will take forward a set of actions in 2017-18 to enhance the student experience further. A key focus will be on the enhancement of learning and teaching through the greater use of technology and the implementation of a new Learning Management System (LMS). LMS will enable a much more dynamic virtual learning environment including enhanced online learning, assessment and feedback and its implementation will be supplemented with training and support for staff. This work will support achievement of the 80 per cent satisfaction with assessment and feedback target contained in the National Student Survey (NSS), as well as enabling student engagement and retention.

The Communications, Marketing and Public Engagement (CMPE) and Student Academic and Corporate Services (SACS) Directorates are developing an enhanced integrated marketing and recruitment strategy. By growing the use of market intelligence and enhancing recruitment activities with improved portfolio and targeted agent management, we aim to deliver increased student applications and enhanced conversion rates.

An Employability Strategy for 2017-21 will provide a renewed focus on enhancing graduate skills to support graduate-level employment and each faculty is committed to introducing practical work-based or work-related learning into each programme; this will support the achievement of an improved graduate-level employment target of 85 per cent by 2021.

Student retention will be improved by a range of actions including increased emphasis on pastoral support, introduction of skills needs analysis to identify students at risk and to provide support both face to face and through LMS.

Research performance will significantly improve through the implementation of University research themes and research programmes which will set clear, stretching targets for research income and crucially, clear leadership and support for application to large-scale, multi-disciplinary grants. The realignment of academic and support staffing to research themes is a catalyst to radically increase interdisciplinary research activity and to derive research output from existing staff which is critical in preparation for REF 2021.

The proposed sports facilities and Campus Central developments are key capital projects. The redevelopment of

the sports facilities on campus is currently at the design stage and is earmarked for construction to begin in July 2018. It is envisaged that a new building will be constructed which will harmonise the disparate nature of the University's sector leading sports provision. Campus Central will transform the heart of the campus and create a modern, striking welcome to the campus for existing and prospective students, as well as a dedicated space for graduate students and interdisciplinary research. This will provide additional space to support the growing student numbers and improve the existing facilities. The design and scoping of this large scale project will begin in 2017-18.

Professional Advisors

External Auditor / Tax Advisor

KPMG LLP

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Internal Auditor

Ernst and Young LLP

5 George Square,
Glasgow
G2 1DY

Bankers Barclays Bank PLC

83 Argyle Street
Glasgow
G2 8BJ

Solicitors

Thorntons Law LLP

Whitehall House
33 Yeaman Shore
Dundee
DD1 4BJ



A. Sturges

Chair, Joint Policy Planning and Resources Committee

11 December 2017

Institution-wide priorities for 2017-18

Be one of the top 25 universities in the UK



Sports Centre

The University will break-ground on the transformational development of sports provision in 2017-18, investing in a state-of-the-art integrated sports facility.

Learning Management System

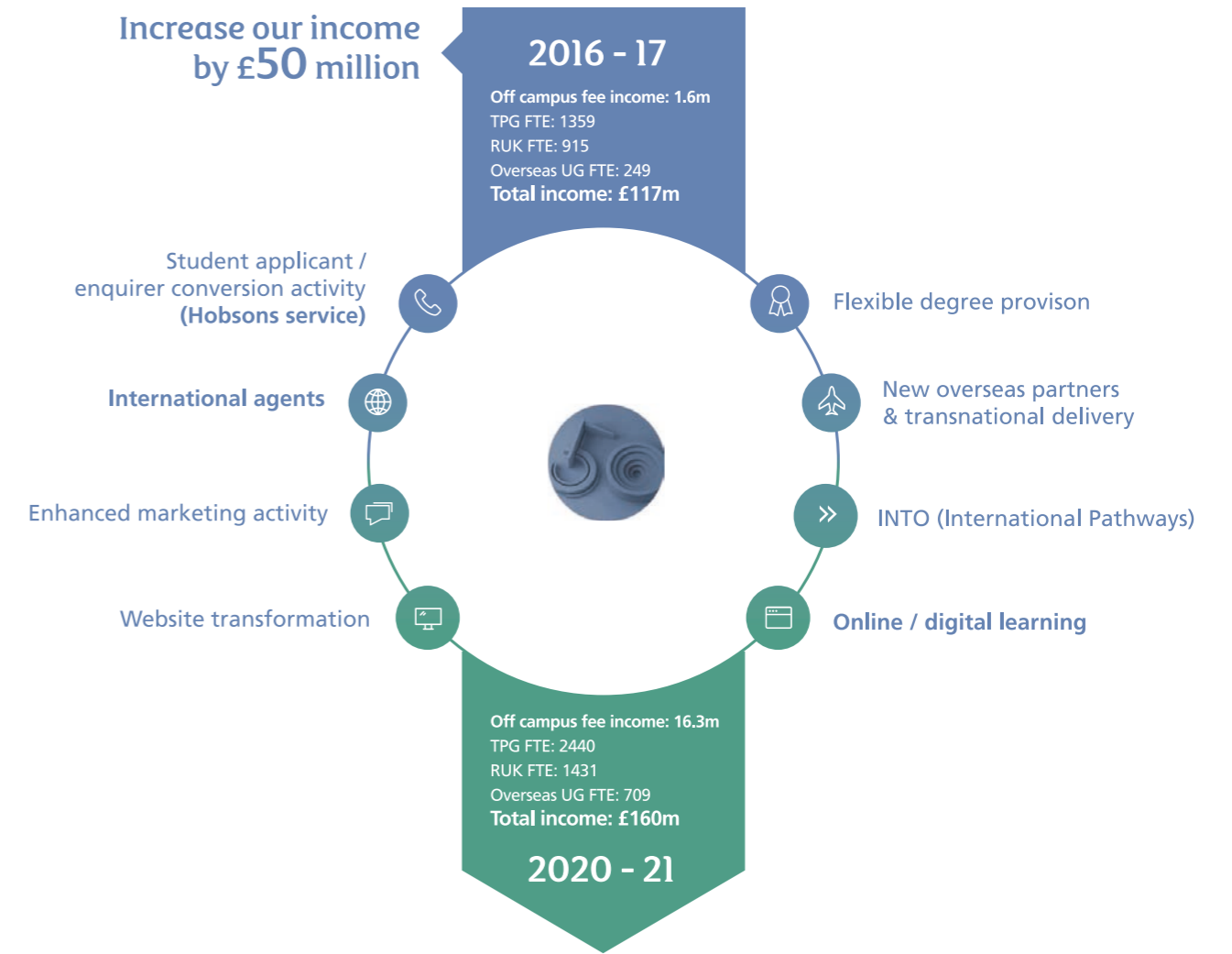
A new learning management system will be implemented in September 2017 to enable enhanced, innovative pedagogy and increased accessibility of learning materials, including lecture recordings and online assessment and feedback.

Reduced student:staff ratios

Investments in staffing will reduce the student:staff ratio – particularly in some disciplines – and increase the opportunity for student:staff engagement.

Enhanced skills focus

The Employability Strategy 2017-2021 commits the University to include work-based and/or work-related learning in all of our programmes.



Online learning

In 2017-18, the University will launch up to 10 wholly online programmes through a third-party partner to enable diverse modes of learning and increased income opportunities.

Enhanced marketing, recruitment and conversion

The distinctive new brand – launched in February 2017 – will support increased awareness of the University in key international markets. Enhanced recruitment activity and agent management, as well as partnership with Hobsons, will deliver increased conversion of applications to enrolments in unregulated student number growth.

INTO

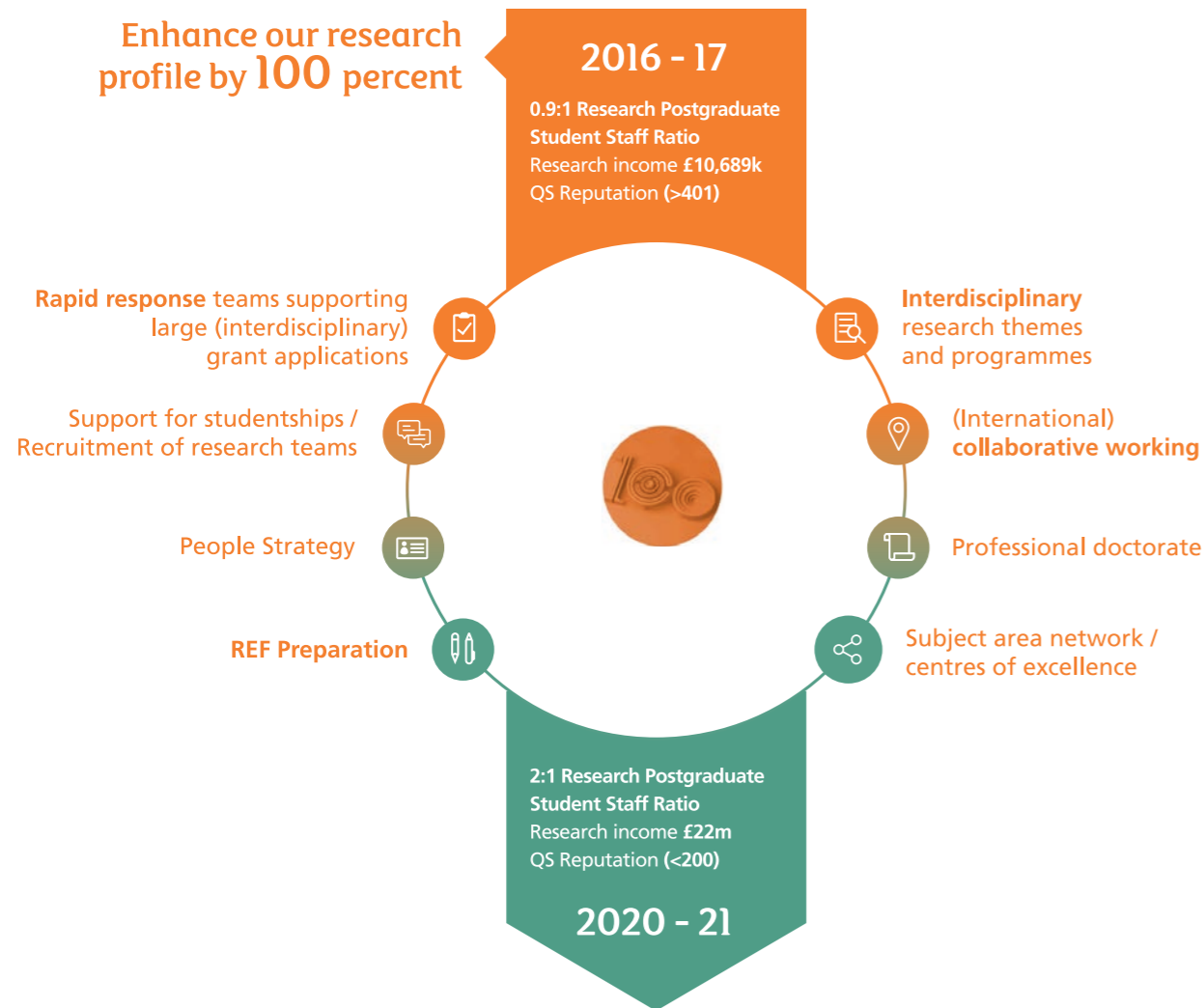
The University will build on the 86 per cent increase in students studying at the INTO Joint Venture and continue to increase the number of students progressing from the JV to University of Stirling degree programmes (forecast growth of 91 per cent in 2017-18).

Enhanced TPG portfolio

The University will identify market gaps and demands that could be met through the taught postgraduate provision at Stirling and launch a suite of new TPG programmes, supported by the strategic use of scholarships to improve conversion.

Corporate governance

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



People Strategy 2017-2021

The People Strategy sets out the required organisation and performance of the University's human resources in order to achieve the objectives of the Strategic Plan, focusing on communication and engagement, resource structure and skills, and performance and effectiveness.

Research Themes and Programmes

The University research themes were launched in April 2017:

- Cultures, Community and Society
- Global Security and Resilience
- Living Well

The research themes reflect the University's areas of excellence, expertise, strength and capacity. They were designed to demonstrate how the University can 'be the difference' through interdisciplinary research with impact.

Research Management System

Enhancing systems support with new research management system.

Research support

Re-orientating professional services support for research to reflect thematic and interdisciplinary portfolios, to take forward strategic research funding plans.

Governing body

The Court of the University is the governing body of the University and is responsible for the administration and management of the revenue and the assets of the University. This section outlines the University's corporate governance arrangements. A list of the members of the University Court and Committees during the year ended 31 July 2017 can be found on page 23.

In accordance with the University's Charter, the Court has overall responsibility for the management of the University's resources, the on-going strategic direction of the University, approval of major developments, and the receipt of regular reports from Executive Officers on the day-to-day operation of its business. The Court meets formally four times per year.

On matters relating to the academic work of the University, Court will normally only act on the recommendation or with the concurrence of the Academic Council, the existence and membership of which is provided for in the University's Charter and its allied instruments, the Statutes and Ordinances stir.ac.uk/calendar.

Court has a Statement of Primary Responsibilities which lays out its responsibilities in relation to mission, vision and strategy; students and staff; financial systems and control environment; corporate governance, and senior management. A copy of the Statement can be viewed on the University website at stir.ac.uk/1bf.

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

In accordance with best practice, the University aims to maintain minimum of 40 per cent of each gender among the independent members of the governing body. The gender balance of all Court members as of 31 July 2017 was 50 per cent male: 50 per cent female with the same percentage split among lay members.

Lay members of Court have a range of skills and backgrounds. Current members have expertise in human resource management, social research, employment law, marketing, IT services, accountancy, internationalisation, creative industries, sports development, business development, social justice, consumer rights, healthcare, business and finance.

Inductions are held for new members of Court which provides members with an outline of their governance responsibilities and highlights some of the key issues of interest to Court members, particularly in relation to the external environment. Meetings of Court are preceded by presentations or visits to different academic and professional services of the University to help Court members improve their understanding of the operations of the University. During 2016-17 these pre-Court sessions focused on the development of strategy, internationalisation, marketing and research activities. Training is supplemented by members attending programmes offered by the Leadership Foundation for Higher Education for governor development as and when required.

In March 2016, the Scottish Parliament approved the Higher Education Governance (Scotland) Act 2016 and it received Royal Assent on 13 April 2016. As a result of the new legislation, changes will be required to the composition of Court and Academic Council. The main changes to Court membership are that it will include two members of directly elected staff and two members nominated by trade unions. Academic Council membership will change so that 50 per cent of members are elected staff or students and at least 10 per cent of members are students. The change to Court membership will require Privy Council approval to amend the University's statutes. Other changes introduced by the Act include the requirement to hold elections as part of the recruitment process for the Chair of Court. Work will be undertaken to ensure the University meets the new requirements during the four year phase-in period.

Principal committees

The Joint Policy, Planning & Resources Committee (JPPRC)

considers issues relating to University's finances, estates, information services, and staffing and their integration with academic planning. The committees reported matters for information and formal approval by Court as appropriate. The JPPRC also recommended to Court the University's recurrent budget and capital expenditure plans.

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

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

The **Court Appointments Committee** seeks and considers recommendations for potential lay members of Court and it oversees Court appointments to other committees. This Committee also has an important role to play in ensuring diversity among Court members and on other committees.

The **Audit Committee** is responsible for assisting and advising Court on the discharge of its responsibilities. It ensures that appropriate controls are in place to safeguard all funds received by the University and reviews and monitors accounting policies and practice. It oversees the remit and findings of both the internal and external auditors, and meets with them to review their reports. It also reviews the financial statements of the University prior to their submission to Court. While senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee may meet with the Internal and External Auditors on its own for independent discussions. During the year the Committee considered six separate internal audits reports and carried out detailed follow-up reviews of outstanding audit actions.

The Court receives regular audit updates throughout the year and an annual report from the Audit Committee, supported by documentation from senior management and the relevant committees, in order to complete its annual assessment for the year ending 31 July. The aim is to obtain the relevant degree of assurance and not merely report by exception.

Good governance

The University is committed to exhibiting best practice in all aspects of corporate governance and works to the good practice recommendations in the Scottish Code of Good Higher Education Governance.

The Scottish Code of Good HE Governance was originally developed in 2013 and was revised during 2016-17 following a process of stakeholder engagement. The revised draft code incorporates proposed changes to the remunerations process, requires an annual stakeholder meeting and limits the number of executive members attending Court. Other changes relate to increased reporting and transparency. Once the revised Code is formally approved the University will implement any changes necessary.

During 2016-17 Court carried out its quinquennial governance effectiveness review which was externally facilitated by the Good Governance Institute (GGI). As part of the review, representatives from the GGI met with Court members and other key individuals, observed a number of meetings and reviewed documentation. The report concluded that Court was an effective governing body that was well placed for the challenges ahead providing it moved forward inclusively and with confidence. The review report made 12 recommendations which Court will be considering in further detail before agreeing appropriate implementation during 2017-18.

The University believes it is currently fully compliant with the present Code of Good HR Governance and this position was endorsed during the year by the independent the quinquennial governance effectiveness review.

Risk management and internal control

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

The University maintains a register of strategic risk that is reviewed on a regular basis by the Audit Committee on behalf of University Court. Each faculty and professional service area maintains its own operational risk register that is integrated into the planning and budgeting process. The Register of Strategic Risk helps to embed risk management throughout the organisation and is closely aligned to the objectives in the Strategic Plan. The register supports delivery of the University's risk management policy, and is aligned to best practice guidance relating to risk management in the Higher Education sector. A full review of the register was undertaken following the launch of the University's new Strategic Plan 2016 – 2021.

The Court confirms that there is an on-going process for identifying, evaluating and managing the University's significant risks that has been in place for the period up to the date of approval of the financial statements. This process has been reviewed and approved by Court and is in accordance with the Scottish Code of Good HE Governance guidance.

Going concern

The University Court confirmed that the University meets the criteria as a 'going concern'. The University has a strong balance sheet with a non-current asset figure of £202m, net current assets of £45m including a cash balance of £30m. The University Group made a reduced deficit in 2016-17 of £0.4m after a deficit of £3.1m in the previous financial year. However,

profitability alone does not ensure the going concern status of an organisation. The critical factor that management of the University have used to determine the Going Concern status of the University is whether it can maintain sufficient working capital balances.

The University's forecasts and projections to 2019-20, taking account of future developments and reasonable sensitivities in relation to the key risks, suggest that the University should return to profit in 2018-19. The balance sheet will also remain

strong and while the University plans continued strategic investment in its estate will be able to maintain healthy cash balances over the planning period. The Court therefore considers that the University will continue to have adequate resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the University of Stirling continues to adopt the going concern basis in preparing the Group's financial statements.

Membership of Court and Committees 2016-17

	C=Court A=Audit J=JPPRC	Membership dates	Attendance 2016/17		
			Court 4 in year	Audit 3 in year	JPPRC 3 in year
*Ms Fiona Sandford	C, J		4 chair		3
*Mr Harry Adam	C, J		3		2
*Mr Simon Anderson	C		3		
*Mr Kevin Condron	C		3		
*Mr Scott Haldane	C, A		4	3 chair	
*Mr Sean Lewis	C		0		
*Ms Lynne Marr	C		3		
*Ms Barbara McKissack	C, J		4		2
*Ms Catriona Morrison	C		4		
*Councillor Mike Robbins	C	To 31/05/2017	3 (of 3)		
*Rev Maggie Roderick	C, A		3	3	
*Councillor Christine Simpson	C	From 01/06/2017	1 (of 1)		
*Mr Andrew Sturgess	C, J		3		3 chair
*Mr Kenny Fraser	A			3	
Mr Dave Keenan	C, J	To 31/05/2017	3 (of 3)		2
Ms Jess Logan	C, J	To 31/05/2017	3 (of 3)		3
Ms Astrid Smallenbroek	C, J	From 01/06/2017	1 (of 1)		0 (of 0)
Mr Jamie Grant	C, J	From 01/06/2017	1 (of 1)		0 (of 0)
Professor Alison Bowes	J				3
Professor George Burt	J				3
Professor Brigid Daniel	C	To 31/05/2017	3 (of 3)		
Mr James Dick	C		4		
Professor Jayne Donaldson	C		4		
Professor John Gardner	C, J	To 31/03/2017	3 (of 3)		1 (of 2)
Ms Alison Green	C		4		
Ms Kate Howie	C		4		
Professor Malcolm MacLeod	C, J	Court from 01/04/2017	1 (of 1)		3
Professor Gerry McCormac	C, J		4		3
Mr Stephen Morrow	J				1
Professor Holger Nehring	C		3		
Dr Gabriela Ochoa	J				1
Professor Richard Oram	J	From 01/12/2016			2 (of 2)
Professor Judith Phillips	J				3
Professor Leigh Robison	C		4		
Ms Eileen Schofield	J				3
Professor Leigh Sparks	J				3

*Lay members
JPPRC = Joint Policy Planning & Resources Committee

Accounting responsibilities of the University Court

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

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

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

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

The University Court has taken all reasonable step to:

- Ensure that funds from the SFC are used only for the purposes for which they have been given, and in accordance with the Financial Memorandum with SFC, and any other conditions which the SFC may from time to time prescribe

- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- Safeguard the assets of the University and prevent and detect fraud
- Secure the economic, efficient and effective management of the University's resources and expenditure

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

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

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

Independent Auditor's Report to the University Court of the University of Stirling

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of the University of Stirling ("the University") for the year ended 31 July 2017, which comprise the Consolidated and University Statements of Comprehensive Income and Expenditure, the Consolidated and University Statements of Change in Reserves, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related notes.

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2017 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended
- Have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education
- Have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act.

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at

least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The University Court for the University of Stirling is responsible for the other information, which comprises the Strategic Report, Corporate Governance and Accounting Responsibilities of the University Court. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

University Court for the University of Stirling's responsibilities

As explained more fully in their statement set out on page 24, the University Court for the University of Stirling is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report to the University Court of the University of Stirling

Auditor's responsibilities

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

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

Report on other legal and regulatory matters

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

In our opinion, in all material respects:

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

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

This report is made solely to the University Court for the University of Stirling in accordance with the Charters and Statutes of the institution, and in the University Court's role as charity trustees, in accordance with section 44(1)(c) of the Charity and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court for the University of Stirling 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 for the University of Stirling for our audit work, for this report, or for the opinions we have formed.



Hugh Harvie

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace Edinburgh
EH1 2EG

Date *14 December 2017*

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Accounting Policies for the year ended 31 July 2017

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards FRS 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of fixed assets and derivative financial instruments.

2. Basis of consolidation

The consolidated financial statements include the University, its subsidiaries and jointly controlled entities for the financial year to 31 July 2017. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union or the MacRobert Arts Centre as the University does not exert control or dominant influence over their policy decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the University's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Provisions

Provisions are made for certain liabilities where there is a degree of uncertainty as to the carrying amount and / or the timing of settlement. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of cash flows and discount rates used to establish net present value of the obligations, if any, require management's judgement.

Defined benefit pension scheme – (USS)

FRS102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS102. The University is satisfied that the scheme provided by Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The principal assumptions used in the calculation of the liability are as follows:

	2017	2016
Discount rate	1.85%	1.71%
Pensionable payroll growth	1.71%	1.22%

The sensitivities regarding the principal assumptions used to measure the liability are set out below:

Assumption	Change in assumption	Impact on liability
Discount rate	Decrease by 0.5%	Increase by £0.531m
Pensionable payroll growth	Increase by 0.5%	Increase by £0.529m

Debtors

Debtor recoverability is considered throughout the year and appropriate provisions set aside in the financial statements when required.

4. Income recognition

Income from the sale of goods or services is credited to the Consolidated 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.

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

Investment income is credited to the statement of 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.

Grant funding

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

Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met. Where there are restrictions on the grant the income is taken to the restricted reserve and a transfer between reserves takes place as expenditure relating to assets financed by the grant is incurred.

Donations and endowments

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

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

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

There are three 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. 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
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective

5. Accounting for retirement benefits

The two principal pension schemes for the University are the Universities Superannuation Scheme (USS) covering academic and related staff and the University of Stirling Pension Scheme (USPS) covering other staff.

The University participates in the Universities Superannuation Scheme (USS). With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee administered fund.

Because of the mutual nature of the USS, the USS assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the USS on a consistent and reasonable basis. As required by Section 28 of FRS102 "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 income and expenditure account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The University of Stirling Pension Scheme (USPS) is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). This fund is valued every three years by professionally qualified independent actuaries. 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 calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

6. 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 are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

7. 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.

8. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Surplus or Deficit.

9. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets i.e. land and buildings were revalued to fair value on the 31st July 2014 which was the date of transition to the 2015 FE HE SORP. Following this one-off revaluation these assets are measured on the basis of deemed cost, being the revalued amount at the date of transition.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings are measured using the cost model. Under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised.

Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the items replaced is written-out and charged to operating expenses.

Properties in the course of construction are carried at cost, less any impairment loss. Cost includes professional

fees and borrowing costs which the University has chosen to capitalise where the costs are directly attributable to the acquisition, construction or production of an asset in accordance with Section 25 of FRS102.

Land, is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated on a straight line basis over their expected useful lives according to their constituent parts as follows:

	Max Life
Structure	99
Roof	25
Windows/glazing	25
Services	30
Fit out (internal Fittings)	25

No depreciation is charged on assets in the course of construction or on assets held for sale.

At each reporting period end, the University checks whether there is any indication that any of its Land and Building assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

Equipment

Equipment, including computers and software, costing less than £25,000 per individual item is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Computer hardware	0-7 years
Computer software	5-7 years
Equipment acquired for specific research projects	depreciated over life of the research grant
Other Equipment	0-15 years

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

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

Heritage assets

Works of art, artefacts and items held in the library collections are not recognised on Balance Sheet, since reliable cost information is not available for items acquired many years ago and significant costs are involved in arriving

at valuations. Where recent acquisitions are made and meet the capital threshold they are recognised on the Balance Sheet at cost when purchased or at the best estimate of market value where the object is donated.

10. Investments

Investments in jointly controlled entities and subsidiaries are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in Income and Expenditure. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

11. Stock

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving or defective stocks. Fish farm stocks are computed on a going concern basis using values agreed for insurance purposes, suitably discounted to arrive at cost equivalent, and is measured using an average cost formula.

12. 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.

13. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

A contingent liability arises from a past event that gives the University a possible obligation whose existence

will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

14. Accounting for joint arrangements

Material entities over which the University has joint control with one or more other entities are classified as joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement. A joint arrangement is either a joint operation or a joint venture.

The University has a 50 per cent share of the issued share capital of Stirling University Innovation Park Limited. This is a separate vehicle which is owned equally by the University and Stirling Council. The University also holds a 50 per cent share in the INTO Stirling LLP which is a separate vehicle owned equally by the University and INTO University Partnerships Limited. As both of these companies are separate vehicles they are considered joint ventures and the University accounts for its share in them using the equity method.

15. Taxation

The University is an exempt Charity within the meaning of the Trustee Investment and Charities (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 maintained by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable

Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

16. Financial assets

Financial assets are recognised when the University becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the University assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present

value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced directly/through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

17. Financial liabilities

Financial liabilities are recognised on the statement of financial position when the University becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

18. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, though 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.

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	2017		2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Scottish Funding Council Grants	1	44,698	44,698	42,235	42,235
Tuition fees and education contracts	2	33,075	33,075	30,857	30,857
Research grants and contracts	3	10,227	10,227	11,492	11,492
Other income	4	28,684	28,684	27,975	27,975
Investment income	5	484	484	488	488
Donations and endowments	6	169	169	207	207
Total income		117,337	117,337	113,254	113,254
Expenditure					
Staff costs	7	70,114	70,114	66,284	66,284
Other operating expenses		35,300	35,318	35,534	35,522
Depreciation	11	9,466	9,466	10,412	10,412
Interest and other finance costs	8	2,475	2,475	3,548	3,548
Total expenditure	9	117,355	117,373	115,778	115,766
Deficit before other gains losses and share of operating surplus/deficit of joint ventures		(18)	(36)	(2,524)	(2,512)
Share of operating deficit in joint venture	12	(225)	-	(436)	-
Deficit before tax		(243)	(36)	(2,960)	(2,512)
Taxation	10	(185)	(185)	(113)	(113)
Deficit for the year		(428)	(221)	(3,073)	(2,625)
Actuarial gain (loss) in respect of pension schemes	29	5,418	5,418	(9,995)	(9,995)
Total comprehensive income for the year		4,990	5,197	(13,068)	(12,620)
Represented by:					
Endowment comprehensive income for the year		7	7	220	220
Restricted comprehensive income for the year		(1)	(1)	31	31
Unrestricted comprehensive income for the year		4,984	5,191	(13,319)	(12,871)
		4,990	5,197	(13,068)	(12,620)

The notes on pages 37 to 55 form part of the financial statements.

Consolidated and University Statement of Changes in Reserves

Consolidated Statement	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	
Balance at 1 August 2015	1,538	2,552	161,824	165,914
Deficit from the income and expenditure statement	-	-	(3,073)	(3,073)
Other comprehensive income	-	-	(9,995)	(9,995)
Release of restricted funds spent in year	220	31	(251)	-
Total comprehensive income and expenditure for the year	220	31	(13,319)	(13,068)
Balance at 1 August 2016	1,758	2,583	148,505	152,846
Deficit from the income and expenditure statement	-	-	(428)	(428)
Other comprehensive income	-	-	5,418	5,418
Release of restricted funds spent in year	7	(1)	(6)	-
Total comprehensive income and expenditure for the year	7	(1)	4,984	4,990
Balance at 31 July 2017	1,765	2,582	153,489	157,836

University	Income and expenditure account			Total
	Endowment	Restricted	Unrestricted	
	£'000	£'000	£'000	
Balance at 1 August 2015	1,538	2,552	162,994	167,084
Deficit from the income and expenditure statement	-	-	(2,625)	(2,625)
Other comprehensive income	-	-	(9,995)	(9,995)
Release of restricted funds spent in year	220	31	(251)	-
Total comprehensive income for the year	220	31	(12,871)	(12,620)
Balance at 1 August 2016	1,758	2,583	150,123	154,464
Surplus from the income and expenditure statement	-	-	(221)	(221)
Other comprehensive income	-	-	5,418	5,418
Release of restricted funds spent in year	7	(1)	(6)	-
Total comprehensive income for the year	7	(1)	5,191	5,197
Balance at 31 July 2017	1,765	2,582	155,314	159,661

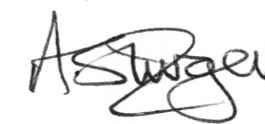
Consolidated and University Balance Sheet

Notes	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets				
Fixed assets	11	202,270	202,270	201,205
Trade and other receivables	14	135	135	582
Investment in joint venture	12	113	-	109
Total non-current assets		202,518	202,405	201,896
Current assets				
Stock	13	340	340	679
Trade and other receivables	14	12,221	12,436	12,881
Investments	15	25,715	25,715	20,663
Cash and cash equivalents	21	30,176	29,871	38,166
		68,452	68,362	72,389
Less: Creditors: amounts falling due within one year	16	(23,606)	(23,528)	(24,002)
Net current assets		44,846	44,834	48,387
Total assets less current liabilities		247,364	247,239	250,283
Creditors: amounts falling due after more than one year	17	(68,425)	(68,425)	(69,485)
Provisions				
USS Pension Provision	18	(14,404)	(14,404)	(14,673)
USPS Pension Provision	18	(4,074)	(4,074)	(9,836)
Other provisions	18	(675)	(675)	(1,722)
Joint Venture Loss Provision	12	(1,950)	-	(1,721)
Total net assets		157,836	159,661	152,846
Restricted Reserves				
Income and expenditure reserve - endowment reserve	19	1,765	1,765	1,758
Income and expenditure reserve - restricted reserve	26	2,582	2,582	2,583
Unrestricted Reserves				
Income and expenditure reserve - unrestricted		153,489	155,314	148,505
Total Reserves		157,836	159,661	152,846

The Financial Statements were approved by the University Court on the 11 December 2017 and signed on its behalf by:



G. McCormac
Principal and Vice-Chancellor



A. Sturgess
Chair, Joint Policy Planning
and Resources Committee



L.F. McCabe
Director of Finance

Consolidated and University Cash Flow

	Notes	2017 £'000	2016 £'000
Cash flow from operating activities			
Deficit for the year		(428)	(3,073)
Adjustment for non-cash items			
Depreciation	11	9,466	10,412
Net (charge)/return on pension scheme less contribution		(344)	(360)
Decrease in stock	13	339	86
Decrease in debtors	14	1,107	(1,113)
Decrease in creditors	16-17	(1,173)	(5,704)
Decrease in pension provision	18	(269)	149
Decrease in other provisions	18	(1,047)	224
Share of operating (surplus)/deficit in joint venture	12	225	436
Adjustment for investing or financing activities			
Investment income	5	(484)	(285)
Interest payable	8	2,225	1,483
Capital grant income	1	(1,745)	(710)
Realised loss on settlement of derivative	8	0	1,817
Net cash inflow from operating activities		7,872	3,362
Cash flows from investing activities			
Proceeds from sales of fixed assets	11	29	159
Capital grants receipts	1	1,745	710
Investment income	5	484	285
Payments made to acquire fixed assets	11	(10,560)	(6,367)
Increase in non-current asset investments	15	(5,052)	(20,032)
Net cash outflow from investing activities		(13,354)	(25,245)
Cash flows from financing activities			
Interest paid	8	(2,225)	(1,483)
Receipt of unsecured loans	17	0	50,000
Repayments of loans	17	(283)	(13,911)
Repayments of derivatives		0	(5,134)
Net cash inflow from financing activities		(2,508)	29,472
(Decrease)/increase in cash and cash equivalents in the year			
		(7,990)	7,589
Cash and cash equivalents at beginning of the year	27	38,166	30,577
Cash and cash equivalents at end of the year	27	30,176	38,166

Notes to the Accounts

	Note	2017		2016	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
1 Scottish Funding Council Grants					
General Fund - Teaching		31,656	31,656	31,224	31,224
General Fund - Research and Knowledge Exchange		8,301	8,301	7,631	7,631
Strategic Funding		2,996	2,996	2,670	2,670
Capital Maintenance Grant		1,745	1,745	710	710
		44,698	44,698	42,235	42,235
2 Tuition Fees and Education Contracts					
Scotland and EU Fees		14,195	14,195	14,036	14,036
Rest of the UK `		6,110	6,110	5,855	5,855
Non EU Fees		11,804	11,804	10,004	10,004
Non Credit Bearing Course Fees		313	313	308	308
Other Contracts		653	653	654	654
		33,075	33,075	30,857	30,857
3 Research grants and contracts					
Research councils		3,570	3,570	3,553	3,553
Research charities		1,324	1,324	1,199	1,199
Government (UK and overseas)		2,624	2,624	3,989	3,989
Industry and commerce		270	270	413	413
European Commission		1,383	1,383	1,260	1,260
Other Overseas		803	803	991	991
Other		253	253	87	87
		10,227	10,227	11,492	11,492
4 Other income					
Consultancy and other services rendered		2,081	2,081	2,715	2,715
Commercial Services		6,802	6,802	6,025	6,025
Accommodation Services		12,277	12,277	11,865	11,865
Aquaculture External Facilities		866	866	927	927
Sport Development Services		1,990	1,990	2,064	2,064
Other capital grants		-	-	188	188
Other income		4,668	4,668	4,191	4,191
		28,684	28,684	27,975	27,975
5 Investment income					
Investment income on endowments	19	24	24	224	224
Investment income on restricted reserves	20	-	-	1	1
Other investment income		460	460	263	263
		484	484	488	488
6 Donations and endowments					
New endowments	19	-	-	-	-
Donations with restrictions	20	75	75	58	58
Unrestricted donations		94	94	149	149
		169	169	207	207

Notes to the Accounts (continued)

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
7 Staff costs				
Staff costs:				
Salaries	56,112	56,112	54,124	54,124
Social security costs	5,273	5,273	4,394	4,394
Apprenticeship Levy	86	86	-	-
Movement on USS provision	(520)	(520)	(99)	(99)
Other pension costs	9,163	9,163	7,865	7,865
Total	70,114	70,114	66,284	66,284

	2017 Number	2016 Number
Average staff numbers by major category :		
Academic Schools	638	606
Academic Services	88	102
Administration and Central Services	248	222
Premises	142	142
Research Grants and Contracts	124	142
Catering and residence	104	102
Other	86	94
Total	1,430	1,410

	2017 £'000	2016 £'000
Emoluments of the Vice-Chancellor:		
Salary	269	267
Benefits	1	1
Pension contributions to USS	6	2
Total	276	270

Remuneration of other higher paid staff, excluding employer's pension contributions

	All Staff	
	2017 Number	2016 Number
£100,000 to £109,999	6	7
£110,000 to £119,999	1	4
£120,000 to £129,999	4	1
£130,000 to £139,999	1	-
£140,000 to £149,999	1	1
£150,000 to £199,999	2	2
£200,000 to £269,999	1	1
Total	16	16

Compensation for loss of office payable to a higher paid member of staff

	2017 £'000	2016 £'000
Compensation payable recorded within staff costs:	125	-

Notes to the Accounts (continued)

7 Staff costs (continued)

Key management personnel compensation

The key management personnel are the Senior Executive team who are known as the University Strategy & Policy Group (USPG) and consists of nine positions:

1. Principal and Vice Chancellor;
2. University Secretary and Chief Operating Officer;
3. Senior Deputy Principal (Operational Strategy and External Affairs);
4. Deputy Principal (Research);
5. Deputy Principal (Internationalisation and Graduate Studies);
6. Deputy Secretary and Director of SACS;
7. Director of Finance and Interim Director of Estates and Campus Services;
8. Director HR & Organisational Development;
9. Director of Communications, Marketing and Public Engagement.

In 2016-17 the structure of USPG changed. The Senior Deputy Principal (Education and Students) retired on the 31st March 2017 with the vacancy of Senior Deputy Principal being filled by the Deputy Principal of (Operational Strategy and External Affairs) from the 1st April 2017. For strategic reasons, the University did not replace the resulting Deputy Principal vacancy. From October 2016 the Director of HR & Organisational Development and from November 2016 the Director of Communications, Marketing and Public Engagement became members of USPG.

Key management personnel compensation

	2017 £'000	2016 £'000
Salary, pensions and other emoluments recorded within staff costs	1,495	1,120

Court members

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

Organisation	Individual Board Member	2017				2016			
		Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000	Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000
Active Stirling Trust	Michael Robbins	-	1	-	-	12	1	-	-
Brodies LLP	Lynne Marr	-	-	-	-	-	-	-	-
Carnegie Trust	Francis Gerard McCormac	78	-	-	-	3	2	-	-
Commonwealth Games Scotland	Leigh Robinson	18	5	8	-	10	1	-	-
MacRobert Centre	Andrew Kinnell Eileen Schofield/ Kerry Bryson	33	23	1	-	6	152	4	-
Sports Scotland	Leigh Robinson	202	17	4	-	195	4	1	-
Stirling District Tourism Ltd	Michael Robbins	-	-	-	-	1	-	-	-
University of Stirling Students' Union	Andrew Kinnell	38	223	8	-	46	582	6	-
Total		369	269	21	-	273	742	11	-

The only expenses paid to court members in 2016-17 or 2015-16 were those paid to reimburse members for out of pocket expenses.

Notes to the Accounts (continued)

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
8 Interest and other finance costs					
Loan interest		1,982	1,982	1,482	1,482
Unwinding of USS pension provision	18	251	251	248	248
Net charge on pension scheme		243	243	1	1
Realised loss on settlement of derivative		-	-	1,817	1,817
Total		2,476	2,476	3,548	3,548
9 Analysis of total expenditure by activity					
Academic Schools		44,983	44,983	42,249	42,237
Academic Services		8,685	8,685	8,658	8,658
Administration and central services		17,983	17,983	16,146	16,146
Premises (including service concession cost)		12,789	12,789	12,340	12,340
Research grants and contracts		8,609	8,609	9,116	9,116
Consultancy and other services rendered		1,417	1,417	1,713	1,713
Commercial Services		5,741	5,741	5,257	5,257
Accommodation Services		10,315	10,315	13,261	13,261
Aquaculture External Facilities		1,504	1,504	1,521	1,521
Sports Development Services		2,923	2,923	2,665	2,665
Early Retirement & Severance		675	675	443	443
Other expenses		1,731	1,749	2,409	2,409
Total		117,355	117,373	115,778	115,766
Other operating expenses include:					
External auditors remuneration in respect of audit services		55	46	50	50
External auditors remuneration in respect of non-audit services		32	32	31	31
Internal auditors remuneration		74	74	68	68
Operating lease rentals:-					
Land and buildings		1,447	1,447	1,483	1,483
10 Taxation					
Recognised in the statement of comprehensive income and expenditure					
Current tax expense		185	185	113	113

The tax expense incurred in 2016-17 relates to the tax due to the University's Singapore Tax Authorities on behalf of the Singapore Institute of Management under the Singapore Income Tax Act. The corporation tax liability for the 2015-16 financial year related to the gross up charge on the Research & Development Credit (RDEC).

Notes to the Accounts (continued)

11 Fixed Assets Consolidated and University

	Assets in the Freehold Land and Buildings	Leasehold Land and Buildings	Fixtures, Fittings and Equipment	Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	207,493	445	25,575	2,459	235,972
Additions	7,115	-	1,146	2,299	10,560
Transfers	1,158	-	291	(1,449)	-
Disposals	(29)	-	(1,615)	(877)	(2,521)
At 31 July 2017	215,737	445	25,397	2,432	244,011
Depreciation					
At 1 August 2016	13,937	33	19,920	877	34,767
Charge for the year	7,429	17	2,020	-	9,466
Disposals	-	-	(1,615)	(877)	(2,492)
At 31 July 2017	21,366	50	20,325	-	41,741
Net book value					
At 31 July 2017	194,371	395	5,072	2,432	202,270
At 31 July 2016	193,556	412	5,655	1,582	201,205

A revaluation of the University's land and buildings was undertaken at the balance sheet date of 31st July 2014 by the external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. In accordance with the University of Stirling's accounting policies, the fixed assets of the University will be held at this value under the historic cost model as allowed under the Statement of Recommended Practice (SORP). Since 31st July 2014 there have been no significant events that would indicate that the value of the land and building has altered significantly.

Freehold Land and Buildings

Freehold Land and Buildings contains £9.507m of freehold land (2015-16: £9.507m) which is not depreciated.

Assets under construction

Assets under construction as at the 31st July 2017 include the following building projects; the redevelopment of the sports facilities (£0.419m), the automation of the fire alarm detection system in the main building (£0.241m), the tennis centre roof (£0.158m) and the continuation of the strategic space rationalisation project (£0.115m). There were also a number of equipment and software projects incomplete at the 31st July 2017 namely; the research management system (£0.287m), the web development (£0.272m), and the Digital Media Centre (£0.259m).

Software

Software with a net book value of £0.523m is included within equipment.

Notes to the Accounts (continued)

11 Fixed Assets Consolidated and University (continued)

Heritage Assets

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

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

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

Art Collection: Art collection – the University holds a number of works of art which are not included in the Balance Sheet because they have either been loaned to the University or are owned by the University but under the terms of their gift are not eligible for re-sale. Those items which are owned without a re-sale condition are not held on the balance sheet since reliable cost information is not available for items acquired many years ago. The University Art Collection operates under a Code of Ethics set down by the Museum Association www.museumsassociation.org/ethics/code-of-ethics. These ethics outline a code of practice which strongly advocates retention of items. It is therefore highly unlikely that the University would ever dispose of items from its art collection.

12 Investment in Joint Venture

The University holds a 50% share of the issued share capital of Stirling University Innovation Park Limited. This is a jointly controlled entity owned equally by the University and Stirling Council. The principal activity of the company is the development, promotion and management of Stirling University Innovation Park. The arrangement is accounted for using the equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidated income and expenditure account.

Stirling University

Innovation Park Ltd (SUIP)

	Year ended 31 July 2017		Year ended 31 July 2016	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		385		453
Deficit before tax		4		4
Balance sheet				
Fixed assets	317		322	
Current assets	23		17	
		<u>340</u>		<u>339</u>
Creditors: amounts due within one year	(136)		(68)	
Creditors: amounts due after more than one year	(91)		(162)	
		<u>227</u>		<u>(230)</u>
Share of net assets		113		109

Table 7 Summarised Income and Expenditure Account and Balance Sheet (INTO)

The University holds a 50% share in the jointly controlled entity INTO Stirling LLP between the University and INTO University Partnerships Limited which was created in financial year 2013-14. The joint venture is creating world-class international study centre in Stirling which will provide a range of academic and English language preparation course for international students. The entity is accounted for using the equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidate income and expenditure account.

Notes to the Accounts (continued)

12 Investment in Joint Venture (continued)

INTO Stirling LLP

	Year ended 31 July 2017		Year ended 31 July 2016	
	£'000	£'000	£'000	£'000
Income and expenditure account				
Income		2,300		1,947
Deficit before tax		(229)		(440)
Balance sheet				
Fixed asset		342		264
Current assets		1,286		1,000
		<u>1,628</u>		<u>1,264</u>
Creditors: amounts due within one year	(3,078)		(2,485)	
Creditors: amounts due after more than one year	(500)		(500)	
		<u>(3,578)</u>		<u>(2,985)</u>
Share of net assets		(1,950)		(1,721)

Table 8 Summarised Income and Expenditure Account and Balance Sheet (INTO)

13 Stock

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
General consumables	340	340	679	679
Total	340	340	679	679

14 Trade and other receivables

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grants receivables	200	200	482	482
Other trade receivables	6,144	6,359	6,013	6,013
Prepayments and accrued income	5,877	5,877	6,386	6,521
Total	12,221	12,436	12,881	13,016
Amounts falling due after more than one year:				
Other receivables	135	135	582	582
Total	135	135	582	582

15 Current Investments

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Short term investment in shares	432	432	481	481
Short term bonds	177	177	142	142
Short term deposits	25,106	25,106	20,040	20,040
Total	25,715	25,715	20,663	20,663

Notes to the Accounts (continued)

16 Creditors: amounts falling due within one year

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	1,000	1,000	223	223
Trade payables	6,017	5,961	6,401	6,183
Social security and other taxation payable	1,697	1,691	1,794	1,794
Accruals and deferred income	14,892	14,876	15,584	15,795
Total	23,606	23,528	24,002	23,995

Deferred income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Research grants received on account	4,029	4,029	4,422	4,422
Grant income	190	190	272	272
Other income	2,458	2,458	2,340	2,340
Total	6,677	6,677	7,034	7,034

17 Creditors: amount falling due after more than one year

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	68,425	68,425	69,485	69,485
Total	68,425	68,425	69,485	69,485

Analysis of secured and unsecured loans:

	2017		2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Due within one year	1,000	1,000	223	223
Due between one and two years	1,000	1,000	888	888
Due between two and five years	3,000	3,000	2,808	2,808
Due in five years or more	64,425	64,425	65,789	65,789
Due after more than one year	68,425	68,425	69,485	69,485
Total secured and unsecured loans	69,425	69,425	69,708	69,708

Lender	Amount £'000	Term	Interest rate %	Borrower
Lloyds TSB	9,996	2027	0.19% above base rate	University
Barclays	9,739	2027	0.18% above LIBOR	University
Private Placement	9,939	2033	3.70	University
Private Placement	19,877	2036	3.82	University
Private Placement	19,874	2048	4.00	University
Total	69,425			

The University issued £50 million of Senior Unsecured Notes in 2015-16 the proceeds of which were used to refinance the University's indebtedness of £38 million in totality and to repay the breakage costs arising from the early termination of swap contracts associated with those loans. The remainder of the proceeds have been used to finance the development of an academic building to service the Jointly Controlled Entity INTO Stirling LLP.

£19.735 million of Revolving Credit Facilities remain fully drawn and held on deposit.

Notes to the Accounts (continued)

18 Provisions for Liabilities

Consolidated and University

	Obligation to fund deficit on USS Pension Scheme £'000	Obligation to fund pension liability (Note 29) £'000	Other Provisions £'000	Total £'000
At 1 August 2016	14,673	9,836	1,722	26,231
Utilised in year	(520)	(456)	(504)	(1,480)
Additions in 2016/17	-	-	193	193
Unused amounts reversed in 2016/17	-	(5,306)	(736)	(6,042)
Unwinding of discount amount	251	-	-	251
At 31 July 2017	14,404	4,074	675	19,153

University Superannuation Scheme pension deficit (USS Pension)

The obligation to fund the past deficit on the University's Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

The recovery plan to fund the deficit was established in 2014 and will run for 17 years until March 2031. The University annual employer's contribution has an element which contributes to the recovery plan.

Pension liability University of Stirling Pension Scheme (USPS)

The obligation to fund the past deficit on the University of Stirling's Pension Scheme (USPS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USPS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision. The value of the provision decreased substantially in 2016-17 resulting from large actuarial gains that arose from a recovery in bond rates.

The University is contracted to pay £800k annually until 31 March 2031 under the terms of the deficit recovery scheme in place.

Other Provisions

This includes various individual provisions but because of their commercially sensitive nature we cannot disclose the nature or timing of these.

Notes to the Accounts (continued)

19 Endowment Reserves

Consolidated and University

Restricted net assets relating to endowments are as follows:-

	Restricted endowments £'000	Expendable endowments £'000	2017 Total £'000	2016 Total £'000
Balances at 1 August 2016				
Capital	203	1,285	1,488	1,488
Accumulated income	56	214	270	50
	259	1,499	1,758	1,538
Investment income	17	7	24	224
Expenditure	(14)	(3)	(17)	(4)
Total endowment comprehensive income for the year	3	4	7	220
At 31 July 2017	262	1,503	1,765	1,758
Represented by:				
Capital	203	1,285	1,488	1,488
Accumulated income	59	218	277	270
	262	1,503	1,765	1,758
Analysis by asset set				
Current and non-current asset investments	121	-	121	94
Cash & cash equivalents	141	1,503	1,644	1,664
	262	1,503	1,765	1,758

20 Restricted Reserve

Consolidated and University

Reserves with restrictions are as follows:

	Research Investment Funds £'000	Departmental Discretionary Funds £'000	Donations £'000	2017 Total £'000	2016 Total £'000
Balances at 1 August 2016	89	368	2,126	2,583	2,552
New donations /transfer in to fund	90	25	75	190	163
Investment income	-	-	-	-	1
Expenditure	(89)	(68)	(34)	(191)	(133)
Total restricted comprehensive income for the year	1	(43)	41	(1)	31
At 31 July 2017	90	325	2,167	2,582	2,583

All restricted donations are general in purpose.

21 Cash and cash equivalents

	At 1st August 2016 £'000	Cash Flows £'000	At 31st July 2017 £'000
Consolidated	£'000	£'000	£'000
Cash and cash equivalents	38,166	7,990	30,176
	38,166	(7,990)	30,176

Notes to the Accounts (continued)

22 Financial Instruments

Carrying amount of financial instruments

The carrying amount of the financial assets and liabilities include:

	Consolidated £'000	2017 University £'000	Consolidated £'000	2016 University £'000
Financial Assets				
Measured at fair value through Income and Expenditure	121	121	94	94
Assets measured at cost less impairment	67,992	67,901	71,616	71,615
	68,113	68,022	71,710	71,709
Financial Liabilities				
Liabilities measured at amortised cost	(22,606)	(22,528)	(23,779)	(23,772)
Loan commitments measured at cost less impairment	(69,425)	(69,425)	(69,708)	(69,708)
	(92,031)	(91,953)	(93,487)	(93,480)

Financial instruments measured at fair value

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Consolidated £'000	2017 University £'000	Consolidated £'000	2016 University £'000
Investments in debt and equity securities	488	488	458	458

Notes to the Accounts (continued)

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 Planning and Resource Committee 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) as recommended by the Higher Education Funding Council for England (HEFCE) and is reviewed, updated and approved annually.

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

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 2017, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade credit 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 counterparty 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 students and commercial customer populations.

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.

The University will maintain cash facilities up to two months core operating and payroll costs, to allow for unforeseen liquidity requirements.

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. On an annual basis after satisfying Euro denominated liabilities the University is left with a surplus of Euros. Surplus Euros are converted at spot rates or via forward contracts that are used to mitigate the risk of adverse exchange rate movements.

Interest Rate Risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of the balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk).

The University has loans totalling £69.425m. The interest rate attached to the private placements are fixed over the term of each loan. The revolving credit facility borrowing term ends in 2027 with a rate of 0.19% above base rate or 0.18% above LIBOR. Due to the low interest environment such loans have limited risk.

Notes to the Accounts (continued)

23 Capital Commitments

Provision has not been made for the following capital commitments at 31 July 2017:

	31 July 2017		31 July 2016	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for	2,774	2,774	6,122	6,122
Total	2,774	2,774	6,122	6,122

24 Contingent Liabilities

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

The University through a shareholding agreement with Stirling Council has, in effect, guaranteed 50% of a loan with RBS plc to Stirling University Innovation Park Limited (SUIP Ltd). The purpose of the loan was to purchase two properties. The outstanding balance of the loan at the 31st July 2017 is £0.294 million.

The University and College Union (UCU) is seeking reimbursement for deducted wages from 2-hour strikes held early in 2014. However, the University will challenge any claims and hence does not believe it is appropriate to make a provision in these financial statements.

25 Lease obligations

Total rentals receivable under operating leases as lessor:

	2017 Land and Buildings £'000	2016 Land and Buildings £'000
Receivable during the year	359	357
Future minimum lease payments due:		
Not later than 1 year	267	266
Later than 1 year and not later than 5 years	782	779
Later than 5 years	3,267	3,975
Total lease payments due	4,316	5,020

Total rentals payable under operating leases as lessee:

Payable during the year	1,447	1,483
Future minimum lease payments due:		
Not later than 1 year	930	1,533
Later than 1 year and not later than 5 years	2,686	4,331
Later than 5 years	3,885	3,183
Total lease payments due	7,501	9,047

Notes to the Accounts (continued)

26 Related Party Transactions

In addition to the transactions disclosed in note 7 there were additional related party transactions.

The University of Stirling Pension Scheme (USPS) is held for the benefit of employees of the University only. Although the USPS scheme is managed by an external party, control of the scheme rests with the University and so transactions between the University and the USPS scheme are considered related party transactions.

The University holds a 50% share of the issued share capital of Stirling University Innovation Park Limited (SUIP). SUIP has been accounted for as a jointly controlled entity and transactions between the University and SUIP do not fully eliminate on consolidation and should therefore be disclosed as related party transactions.

A member of the senior management of the University holds an office of significant responsibility at the Association of Research Manager and Administrators. By virtue of this influence transactions between the University and the Association of Research Managers and Administrators are considered to be related party transactions.

	2017				2016			
	Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000	Income £'000	Expenditure £'000	Debtor £'000	Creditor £'000
Pension Providers								
University of Stirling Pension Scheme (USPS)	-	800	-	-	-	800	-	-
University Companies/ Collaborations								
Stirling University Innovation Park	26	194	5	-	17	134	4	-
Senior Management								
Association of Research Manager and Administrators	-	4	-	-	-	7	-	-
	26	998	5	-	17	941	4	-

Notes to the Accounts (continued)

27 Subsidiary Undertakings

The subsidiary companies wholly-owned or effectively controlled by the University, are as follows:

The University owns 100% of the issued share capital of Stirling University Residential Accommodation Limited (SURA). The principal activity of the company is to design and construct residential accommodation for the residences project. The company's results have been consolidated into the University's financial statements. The registered office of SURA is University Of Stirling, Stirling, Scotland FK9 4LA.

The University owns 100% of the issued share capital of ordinary shares of Stirling Hotel Services Limited. The principal activity of the company is to operate the hotel services at Stirling Court Hotel. The company's results have been consolidated into the University's financial statements. The registered office of Stirling Court Hotel Service Limited is Stirling Court Hotel, University Of Stirling, Stirling, Scotland, FK9 4AE.

The University owns 100% of the issued share capital of ordinary shares of UoS Education Limited. The principal activity of the company during the year was to be a member of and provide a revolving loan facility to INTO Stirling LLP. The University consolidates UoS Education Limited, all the transactions in year between the University and UoS Education Limited are eliminated on consolidation. The registered office of UoS Education Limited is Finance Office, Cottrell Building, University Of Stirling, Stirling, Scotland, FK9 4LA.

The University owns 100% of the issued share capital of ordinary shares of Machrihanish Marine Farm Limited. The principal activity of the company was the farming of cod. The company is currently not operating and had no significant transactions in year. As a subsidiary the company is still required to be consolidated within the group accounts. The registered office of Machrihanish Marine Farm Limited is Finance Office, University Of Stirling, Stirling, Scotland, FK9 4LA.

The University owns 100% of the issued share capital of ordinary shares in Stirling Salmon Limited. This company has filed dormant accounts for financial year 2016-17. As a dormant company the company is still required to be consolidated within the group accounts. The registered office of Stirling Salmon Limited is Finance Office, University Of Stirling, Stirling, Scotland, FK9 4LA.

The University owns 100% of the issued share capital of Stirling Aquaculture Ltd. This company has filed dormant accounts for financial year 2016-17. As a dormant company the company is still required to be consolidated within the group accounts. Finance Office, University Of Stirling, Stirling, Scotland FK9 4LA.

The University owns 100% of the issued share capital of SURE shelf. This company has filed dormant accounts for financial year 2016-17. As a dormant company the company is still required to be consolidated within the group accounts.

28 HE Support Funds

	2017				Total £'000
	Childcare £'000	Undergraduate Discretionary £'000	Postgraduate Discretionary £'000	Nursing & Midwifery £'000	
Allocation received in year	(268)	(415)	(74)	(31)	(788)
Expenditure	157	477	125	13	772
Bank Interest	(1)	(1)	-	-	(2)
Virements between funds	107	(57)	(50)	-	0
Previous Year loans repaid in academic year	-	(4)	(1)	-	(5)
Funds to be returned to SAAS	(5)	-	-	(18)	(23)

Notes to the Accounts (continued)

29 Pension Schemes

The University participates in two pensions schemes: the Universities Superannuation Scheme (USS) and the University of Stirling Pension Scheme (USPS). USS is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. USPS is a defined benefit scheme. The assets of both schemes are held in separate trustee administered funds.

	2017 £'000	2016 £'000
USS: Contributions paid	9,163	8,226
USPS: Contributions paid	800	800
Total Pensions Costs Note 7 and 9	9,963	9,026

University Superannuation Scheme

The total cost charged to the profit and loss account is £9.350 million (2016: £8.376 million) as shown in notes 7 and 29.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

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

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA table as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – no age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

Notes to the Accounts (continued)

29 Pension Schemes (continued)

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Male currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	2016
Scheme assets	£60.0 billion	£49.8 billion
Total scheme liabilities	£77.5 billion	£58.3 billion
FRS102 Total scheme deficit	£17.5 billion	£8.5 billion
FRS102 Total funding level	77%	85%

University of Stirling Pension Scheme

The University sponsors the University of Stirling Pension Scheme (USPS), a funded defined benefit pension scheme in the UK. USPS is set up on a tax relieved basis as a separate trust independent of the University and is supervised by a board of 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.

The University pays the cost of the USPS as determined by regular (tri-annual) actuarial valuations. The trustees are required to use prudent assumptions to value the liabilities of the Scheme whereas the accounting assumptions must be best estimates.

A formal actuarial funding valuation was carried out as at 31 July 2015. Following the actuarial valuation, the University agreed to continue making contributions to the USPS at the rate of £800,000 per annum.

The results of the 31 July 2015 calculation has been projected to 31 July 2017 with allowance for cash flows over the period and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

The amounts recognised in the statement of financial position are as follows:

	2017 £'000	2016 £'000
Defined benefit obligation	(86,104)	(86,424)
Fair value of plan assets	82,030	76,588
Net defined benefit (liability)/asset	(4,074)	(9,836)
Net amount recognised at year end (before any adjustment for deferred tax)	(4,074)	(9,836)

Notes to the Accounts (continued)

29 Pension Schemes (continued)

The amounts recognised in comprehensive income are:

The current and past service costs, settlement and curtailments, together with the net interest expense for the year are included in profit or loss. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	2017 £'000	2016 £'000
Service cost:		
Current service cost (net of employee contributions)	-	222
Administration expenses	213	217
Net interest expense/(credit)	243	1
Charge/(credit) recognised in profit or loss	456	440
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in net interest expense)	(5,145)	(3,098)
Actuarial (gains)/losses	(273)	13,093
Charge/(credit) recorded in other comprehensive income	(5,418)	9,995
Total defined benefit cost/(credit)	(4,962)	10,435

The principal actuarial assumption used:

	2017	2016
Liability discount rate	2.70%	2.55%
Inflation assumption – RPI	3.20%	2.90%
Inflation assumption – CPI	2.20%	1.90%
Rate of increase in salaries	2.20%	1.90%

Revaluation of deferred pensions:

	2017	2016
- in line with CPI inflation capped at 5% p.a.	2.20%	1.90%
- in line with CPI inflation capped at 2.5% p.a.	2.20%	1.90%

Increases for pension payment:

	2017	2016
- in line with CPI inflation capped at 3% p.a.	2.00%	1.75%
- in line with RPI inflation capped at 5% p.a.	3.10%	2.85%
- in line with RPI inflation capped at 2.5% p.a.	2.20%	2.10%

Expected age at death of current pensioner at age 65:

	2017	2016
Male aged 65 at year end:	86.0	86.1
Female aged 65 at year end:	87.9	88.1

Expected age at death of current pensioner at age 65:

	2017	2016
Male aged 45 at year end:	87.4	87.7
Female aged 45 at year end:	89.4	89.9

Notes to the Accounts (continued)

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At start of period	76,588	(86,424)	(9,836)
Benefits paid	(2,222)	2,222	-
Administration expenses	(213)	-	(213)
Current Service Cost	-	-	-
Contributions from the employer	800	-	800
Interest income/(expense)	1,932	(2,175)	(243)
Return on assets (excluding amount included in net interest expense)	5,145	-	5,145
Actuarial losses	-	273	273
At end of period	82,030	(86,104)	(4,074)

The return on plan assets:

	2017 £'000	2016 £'000
Interest income	1,932	2,624
Return on plan assets (excluding amount included in net interest expense)	5,145	3,098
Total return on plan assets	7,077	5,722

The major categories of scheme assets are as follows:

	2017	2016
Return seeking	52,969	55,578
Bonds/LDI	21,477	13,627
Property	7,432	7,217
Other Cash	152	166
Total market value of assets	82,030	76,588

The University Court

For the year to 31 July 2017

Ex-Officio Members:

Professor (Francis) Gerard McCormac

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

Professor John Gardner to 31 March 2017

BSc, MSc, PhD (Belfast), PGCE, FBCS, CITP, CEng, AcSS, FCIEA
- Senior Deputy Principal

Professor Malcolm MacLeod from 1 April 2017

BSc, PhD (Aberdeen), FBPsS, FRSA - Senior Deputy Principal

Councillor Mike Robbins to 31 May 2017

MICH, ACMI, ACIEA - Provost of Stirling

Councillor Christine Simpson from 1 June 2017

MA (Edinburgh), MSc (Stirling) - Provost of Stirling

Mr David Keenan to 31 May 2017

President of the University of Stirling Students' Union

Ms Jessica Logan from to 31 May 2017

BSc (Stirling) - Vice President Communities,
University of Stirling Students' Union

Ms Astrid Smallembroek from 1 June 2017

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

Mr Jamie Grant from 1 June 2017

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

Appointed Members:

Mr Harry Adam

BA (Stirling), MCIPD, MIOD,- appointed by Court

Mr Simon Niall Anderson

MA, MSc (Edinburgh) – appointed by the Court

Mr Kevin Condron

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

Professor Brigid Daniel to 31 May 2017

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

Mr James Dick

Appointed by the Staff Assembly

Professor Jayne Donaldson

BN, MN, PhD (Glasgow). PGCE, PGC, BOE, RN, RNT –
appointed by Academic Council

Ms Alison Green

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

Mr Scott Haldane

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

Ms Kate Howie

BSc (Glasgow) – appointed by Academic Council

Mr Sean Lewis

BA (Stirling), CA – appointed by the Court

Ms Lynne Anne Marr

LLB (Edinburgh), DipLP – appointed by the Court

Ms Barbara McKissack

BA (Stirling) – appointed by the Court

Ms Catriona Morrison

BA (Glasgow), MSc (University of Alberta), PgDip (Stirling)

Professor Holger Nehring

MA (Tuebingen), DPhil (Oxon), FHEA, FRHistS –
appointed by Academic Council

Professor Leigh Robinson

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

Reverend Maggie Roderick

BA (Stirling), BD (St Andrews), DipCG (Strathclyde), FCTSI,
FRSA – appointed by Court

Fiona Sandford

BA (Stirling) - appointed by Court – Chair of Court

Mr Andrew Sturgess

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

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