# Queen Margaret University, Edinburgh

# Strategic Report and Financial Statements

*for the year ended 31 July 2024*

Registered No. SC007335

Scottish Charity No. SC002750

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# PRINCIPAL'S REPORT
## for the year ended 31 July 2024

Having delivered a modest surplus in the 2022/23 financial year, we have been pleased to again deliver a surplus before exceptional items at the end of 2023/24, after another turbulent year for the higher education sector.

This last year has seen immigration policy and policy debates impacting on international student recruitment, particularly in the run up to the general election; a very tough SFC funding announcement for the Scottish higher education sector; a plethora of national strategies relevant to higher education at varying degrees of implementation; continued geopolitical ructions; and a new UK government.

The overall number of on-campus fee-paying students at QMU fell 7.4% on the previous year reflecting a sector-wide drop from the peak numbers reached during the pandemic when admission rates were inflated by policy decisions to respond to the pandemic. A decrease in the number of EU undergraduate students due to the consequences of Brexit was also a factor. While we saw a small decline in the number of postgraduate international numbers, we continued to see improvements in international undergraduate numbers with 87 more such students in 2023/24 than in 2022/23, a 147% increase.

An early adopter of transnational education partnerships, we continue to grow our provision in this field, diversifying our income stream and aligned with our academic purpose. Our launch in 2022 of flexible, on-demand online master's courses is also providing a valuable new income stream, alongside enabling more people to study with us wherever they are based in the world.

At our home campus, we are continuing to make sensible investments to ensure that we offer an attractive student experience. An important example of this is the ongoing re-development and transformation of our Learning Resource Centre and various teaching spaces, as part our Future Spaces project.

Another important development this year has been creation of our Outdoor Learning Hub and Discovery Trail, which, like so many of our projects, has been facilitated through partnership with external organisations. This new facility aims to improve understanding of outdoor learning amongst the teaching profession, whilst acting as an asset to our entire student and staff community and people living around our campus.

Construction of the Edinburgh Innovation Hub is well underway and due for completion in 2025. Enabled through funding from the Edinburgh and South-East Scotland City Region Deal, the hub is designed to become a nationally significant centre for innovation driven business growth and to create new high value employment. It is being delivered through a joint venture between QMU and East Lothian Council.

We have successfully upgraded to a new virtual learning environment for our students and are making good progress on our new Learning, Teaching and Assessment Strategy. Our evolving strategy is being informed by work of a group of Student Champions and takes full account of the importance of digital skills in both students and staff.

In the National Student Survey results released in July, the proportion of students who gave a positive answer mostly matched or exceeded last year's results, and the University exceeded its benchmarks in nine of the 27 core questions. However, on several programmes, student satisfaction was below the benchmark, and in those areas we are producing tailored action plans to deliver improvements, with the objective of ensuring a consistent high-quality student experience across the institution.

In the course of this last year, we have won accolades including in the Herald Higher Education Awards, the Whatuni Student Choice Awards and the Global Student Living Awards.

We are commencing preparations for REF 2029. As part of that, we have reviewed and re-launched our Research and Knowledge Exchange Centres with increased emphasis on inclusive economic growth and the wellbeing economy.

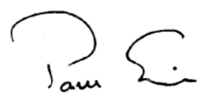
Research highlights from this year include QMU’s first successful application to the highly prestigious Scottish Enterprise High Growth Spin Out Programme for PALM-ALT, a novel ingredient developed by our food experts to replace palm fat in a wide variety of products across the bakery sector. This development could reduce dependency on environmentally damaging, palm-based ingredients and also led to an exciting new regional pilot collaboration with the University of Edinburgh to provide specialist expertise for the commercialisation of QMU research. Other highlights include extension of our Lydia Osteoporosis project and launch of the Toy Box Diversity Lab website of resources to enhance disability literacy. We launched a new QMU Entrepreneurial Sub Strategy and Action Plan with early success already achieved including two QMU projects reaching the finals of Converge - Scotland's acclaimed company creation and enterprise programme for the university sector. Furthermore, we won European funding in collaboration with Edinburgh Napier University and a consortium of universities across Europe, for Start for Future (SFF) a project to drive innovation in health, wellbeing, social care, and food and drink.

In this and every year, we are hugely grateful for the support of our Court members, and of our Chancellor, Dame Prue Leith, who steps down at the end of this year. In line with our commitment to diversity, this last year we successfully launched a board apprenticeship scheme, GIVE, to enrich the makeup of our Court.

Looking ahead to 24/25 onwards, and taking account of the extremely challenging financial context, we are working to ensure that our operations allow us to deliver a recurring surplus budget position. This will ensure that we remain financially sustainable and that we have the necessary resources to invest in our future.

We are doing this through our EVOLVE project, which is focused on getting the balance in our business model right and optimising our operating model. The project recognises that geopolitical, economic, technological and social factors mean that a lot has changed, and changed fast, in recent years; and that this is set to continue and will undoubtedly change the way that universities work in terms of structures, processes and roles. Along with the rest of the sector, we are going to have to find ways of achieving more at QMU without spending more, and indeed, by making cost savings where we can. This is what EVOLVE is designed to achieve. We have already started to deliver some positive change through EVOLVE; notably, we are on track to launch Uni-Fi, our new finance system, in January.

We look forward to the future with optimism, confident that that we are able to make the right choices to ensure that QMU continues to thrive and grow - helping to create a better society through education, research and innovation, and providing a supportive and creative learning environment in which students and staff thrive.



Sir Paul Grice, FRSE, FAcSS
Principal and Vice-Chancellor
20 December 2024

## STRATEGIC REPORT

### Status

Queen Margaret University, Edinburgh is an autonomous Scottish higher education institution. The University's governing instruments and arrangements are set out under the Queen Margaret University, Edinburgh (Scotland) Order of Council 2007, amended from 1 October 2019 through the Queen Margaret University, Edinburgh (Scotland) Amendment Order of Council 2019. The 2007 Order is made under section 45 of the Further and Higher Education (Scotland) Act 1992. The University is registered under the Companies Acts as a company limited by guarantee, with its registered office at Queen Margaret University Drive, Musselburgh, East Lothian, EH21 6UU. The University has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland.

### Scope of the Financial Statements

The financial statements presented on pages 29 to 56 comprise the consolidated results of the University and its subsidiary company, QMU Enterprises Limited. QMU Enterprises Limited undertakes commercial consultancy work, utilising the expertise of the University's academic and technical staff, and also deals with vacation letting of the University's student accommodation. The University holds 50% of the issued share capital of Edinburgh Innovation Park Joint Venture Company Limited. Activity has increased in the Joint Venture, and development of the hub has progressed substantially through the 2023/24 financial year. As a result of this increased activity, the University has updated its accounting treatment, with further information is provided in note 13 to the financial statements.

The financial statements have been prepared on a going concern basis in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice – Accounting for Further and Higher Education 2019 (SORP 2019), with the Accounts Direction issued by the Scottish Funding Council (SFC) and with the United Kingdom Companies Acts. Information on the process which has been undertaken to inform the decision to prepare the financial statements on a going concern basis is set out in section (A) in the statement of principal accounting policies.

### Development of the Strategic Plan

The University's strategic plan remains rooted in the University's core values, and sets out a number of strategic goals, along with targets to be achieved by the end of the current plan period in 2025. To fulfil our purpose, we have developed a set of strategic goals, with associated outputs, that are underpinned by our values and our alignment to the internal and external environment. These are to:

- provide distinctive, accessible, high quality education;
- deliver transformative research and innovation;
- seek out partnership and collaboration;
- invest in the long-term future of the university; and
- embed sustainability across our portfolio and practices.

The plan is supported by a more detailed delivery plan. A key element of the delivery plan remains the inclusion of performance indicators against which the University Court monitors progress towards the achievement of the goals set out in the plan (both financial and non-financial). The University also has in place processes to manage identified risks that could inhibit progress in achieving those goals.

**Results for the year**

The Group's consolidated results for the year to 31 July 2024 are summarised as follows:-

| | 2023/24 £million | 2022/23 £million |
|---|---|---|
| Total income | 54.1 | 51.1 |
| Total expenditure | (51.0) | (50.9) |
| **Surplus / (Deficit) for the year** | **3.1** | **0.2** |
| Actuarial gain / (loss) in respect of pension schemes | (0.9) | 15.5 |
| Unrealised surplus / (deficit) on revaluation of land and buildings | 2.1 | 8.0 |
| **Total comprehensive income / (expenditure) for the year** | **4.3** | **23.6** |

The main changes in the underlying outturn position compared to 2022/23 were:-

- An increase of £1.7 million in income from tuition fees and education contracts, with additional students on new programmes, including across our trans-national partnerships, as well as through new online courses;
- An increase in SFC grants of £0.2 million, with core funding remaining flat this increase is driven by specific SFC funded grants;
- A reduction of £0.1 million in income from research grants and contracts;
- A small increase in other income of £0.3 million, improving on the strong performance in the summer schools and accommodation occupancy from prior year;
- A total increase of £0.2 million in staff costs, however this was substantially improved by £1.9 million related to the reduction in pension provision adjustments; and
- An reduction of £0.5 million in other operating expenses, reflecting strong cost controls despite wider inflationary pressures.

Additional information on the adjustments relating to the revaluation of land and buildings and to actuarial gains and losses on pension schemes is provided in notes 12 and 21 respectively.

QMU Enterprises Ltd generated a profit of £476,000 (2022/23: £347,000), which was passed to the University under deed of covenant.

**Cash Flows and Liquidity**

The result for the year, adjusted for the effect of non-cash items and interest, was a net cash inflow of £5.0 million on operating activities (2022/23, £4.5 million inflow). Overall cash balances increased by £1.2 million (2022/23; £2.2 million increase). Unrestricted cash balances at 31 July 2024 of £18.6 million (2023: £17.5 million) represented 149 days' expenditure (2022/23: 141 days). Throughout 2023/24, the University has significantly increased capital investment to £3.1m (2022/23 £0.6m) on projects including a new finance system and extensive modernisation of the Learning Resources Centre.

**Management of Principal Risks and Uncertainties**

In common with other universities, Queen Margaret University has to manage its activities whilst facing significant pressures on its funding and its cost base. Significant risks facing the University include:

- Scottish Government funding of tertiary education, allocated through the Scottish Funding Council (SFC), will continue to experience real-terms reductions over the next few years.
- Pressure on staff costs will continue to build, both in terms of pay awards (where the University continues to participate in the UK-wide national negotiating framework) and also in terms of the cost of employers' pension contributions.

- Long term inflationary pressure on non-staff costs.
- The ability to attract and retain staff, particularly in identified specialist areas, is becoming more difficult throughout the economy, including in the University sector.

The identification and management of risks is firmly embedded within the University's governance arrangements. The institutional corporate risk register, which includes a description of actions undertaken to mitigate risks, is formally reviewed by the Senior Leadership Team and the Audit & Risk Committee as well as being discussed by the University Court. The Court also undertakes, from time to time, an exercise to agree its appetite for risk, and to ensure that residual risks, after the application of mitigating actions, sit within the agreed tolerance. A review of the risk management strategy adopted by the University Court in 2021 commenced during the reporting period, with a view to a revised risk register being in place early in 2025.

**Financial Sustainability and Going Concern**

The University Court has assessed the financial position of the University for the year ended 31 July 2024. The assessment period considered is the period to 31 July 2026 and further details of this assessment can be found on page 33. The University Court has assessed a number of factors as set out below and has concluded that there is an expectation that the University has adequate financial resources to continue to operate for the foreseeable future.

In reaching its conclusion, the University Court has considered the following factors:

- At the balance sheet date the University had net current assets of £(4.2) million, excluding the Barclays Bank loan which matures in December 2024 net current assets are £11.7 million.
- Cash balances at 31 July 2024 amounted to £18.6 million. The University had liquid reserves (cash and investments) as at 31 July 2024 equivalent to approximately five months' operating cash requirements.
- In the year to 31 July 2024, the University generated positive net cash from operating activities of £5.0 million. The University cash flow forecast shows an increasing operating cash trajectory over the period to 31 July 2025, with a reduction in cash after reducing outstanding borrowing to £10 million.
- For the year ended 31 July 2024, the University generated a surplus of £3.1 million before adjustments for land, buildings and pension valuations. Excluding movements relating to pension adjustments, the University generated a small operating deficit of £0.2 million.
- At the balance sheet date, the University had external financing liabilities of £18.0 million, of which £15.8 million is payable to Barclays Bank plc with the remainder being payable to the Scottish Funding Council. As set out in Note 16, the University has conducted a full market tender and conducted negotiations with prospective lenders, with the preferred option being approved by University Court, as well as from the SFC. The University has completed the refinance of the loan.
- All bank loan covenants were complied with for the year ended 31 July 2024.
- In relation to future years, Management has modelled downside scenarios based on a number of adverse scenarios taking place in financial year 2024/25 and 2025/26, a reduction of planned tuition fee growth, and pay and affected non pay costs remaining higher than forecast. In these scenarios, the University retains liquidity headroom and compliance with covenants through the going concern period with both plausible and available mitigating actions being undertaken. These mitigations include, but are not limited to, reducing uncommitted future spend on discretionary capital and maintenance programmes, increasing borrowing, reducing operating expenditure, and, only if necessary, reducing staff numbers.
- Taking account of the business risks facing the University, we believe that the University and the group are well placed to continue to manage their business risks successfully.

In accordance with the recommendations from the Higher Education Financial Sustainability Strategy Group (FSSG), the University Court undertakes a formal annual assessment of the University's financial sustainability. This process involves reviewing a common set of financial indicators, which have been applied to the University's historical results and to the financial forecasts measured over a rolling five-year period, so as to reduce the impact of any one-off exceptional items arising in any year. The two key indicators which the University Court has agreed to focus upon to inform its considerations around financial sustainability are:

1. Earnings before interest, taxation, depreciation and amortisation (EBITDA); and
2. Net cash flow from operating activities less interest payable as a percentage of turnover.

The second indicator has been adapted from the basket of financial indicators recommended by the FSSG as it is a more appropriate measure for the University, given its relatively high level of borrowings as a proportion of its turnover. The targets are also set at a level which will allow compliance with banking covenants. The results of the annual review undertaken in October 2024, based on a rolling five-year period, were as follows:

| Indicator | Target | Average |
|---|---|---|
| EBITDA as a percentage of turnover | 12% | 14.5% |
| Net cash flow from operating activities less interest payable as a percentage of turnover | 6% | 10.2% |

The *EBITDA* average percentage remains above the five-year average target. The *"Net cash flow from operating activities less interest payable as a percentage of turnover"* indicator remains well above target, reflecting the University's relatively strong cash position.

**Borrowings**

Borrowings at 31 July 2024 amounted to £18.7 million (31 July 2023, £19.5 million). Of this amount, £15.8 million related to a secured loan facility with Barclays Bank plc taken out to fund the campus development at Musselburgh, and £2.4 million related to an unsecured loan from the Scottish Funding Council under the Financial Transactions scheme.

The Barclays loan was due to expire on 17 December 2024. Work progressed throughout the year to refinance the Barclays loan, with a full market tender being completed, negotiations conducted, and the preferred option agreed at University Court. On 27 November 2024, the University Court approved the proposed facility agreement for a £15m revolving credit facility with Santander, and the Barclays loan was successfully refinanced.

**Pension arrangements**

The University is involved in three pension schemes, as follows:-

**Lothian Pension Fund**

The Lothian Pension Fund is part of the Local Government Pension Scheme (LGPS) and is a multi-employer defined benefit scheme. The scheme's last funding valuation took place as at 31 March 2023 and set contributions from 1 April 2024. The funding valuation showed a positive position with an overall funding position of 157%. As part of the valuation the Fund trustees reduced the level of employers' contributions from 1 April 2024.

The University's share of the fund for 31 July 2024 is a net asset of £24.3 million (31 July 2023: £23.4 million net asset). The University has recognised the pension asset at 31 July 2024 in accordance with the accounting policy adopted as set out in accounting policy (D).

**Scottish Teachers' Superannuation Scheme**

The University participates in the Scottish Teachers' Superannuation Scheme (STSS). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2020.

Queen Margaret University has no liability for other employer's obligations to the multi-employer scheme and, as the scheme is unfunded, there can be no deficit or surplus to distribute on the wind up of the scheme or withdrawal from it.

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the University is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate for the period from 1 April 2022 is 23% of pensionable pay, which increased to 26% from 1 April 2024. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

**Universities Superannuation Scheme**

The Universities Superannuation Scheme (USS) is 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 scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 (Employee Benefits), the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the consolidated Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period.

The most recent fund valuation as at 31 March 2023 demonstrates both a material increase in the Plan value and reduction in the Plan deficit, driven by favourable economic conditions and resulting inflationary benefits. As at 31 July 2024, in accordance with USS guidance and increases in the Plan value, the University no longer holds a provision in respect of the USS provision, with the value credited to the Income and Expenditure.

Further details on pension arrangements are set out in note 21 to the financial statements.

**Social Inclusion**

Queen Margaret University is committed to widening participation amongst those who have previously been inhibited from entering Higher Education for social, economic or cultural reasons, and to taking active steps to maximise their persistence and success. Our refreshed Widening Participation Strategy focuses on increasing participation from non-traditional groups, including those that are: first generation to go to Higher Education; from low progression schools; reside in communities in the lowest 20% and 40% of the Scottish Index of Multiple Deprivation (SIMD20/40); articulating students from Scotland's Colleges; disabled students; BAME students; male students studying Nursing and Allied Health programmes; ex-service/armed forces; estranged students; student carers and those who are care experienced.

Our approach to widening access offers built-in tailored support throughout the learner journey, including at points of transition. We work to raise awareness of higher education within target communities, including those local to the University. Our contextualised admissions process provides the basis for fair offers to study at the University. We publish our standard and minimum entry requirements for undergraduate programmes in our University prospectus and on our website. The prospectus includes information presented in simple, clear language and developed in accordance with the 'Common Language' guidelines produced by Universities Scotland.

We commit to making offers at the published minimum entry requirements to identified groups where we recognise that a range of factors has influenced attainment. We deliver a range of recruitment, outreach, pre and post entry activities to raise aspiration, encourage access and maximise retention from under-represented groups in line with our Student Experience strategy, Mainstreaming Report and Equality Outcomes, and underpinned by the University's Outcome Agreement with the Scottish Funding Council 2023-24.

**Fair Work First**

We are committed to advancing the Fair Work First criteria, and address this commitment in the following ways:

**We have an appropriate channel for effective employee voice**

We engage in constructive dialogue with our employees and their Trade Union representatives to address workplace issues and disputes.

Through our Joint Negotiation and Consultation Committee, we negotiate and consult with our recognised Trade Unions on agreed areas for such negotiation and consultation. Our recognised TUs are represented on major committees, including the University Court, Health and Safety and Equality and Diversity Committees. We provide facility time to promote and support regular engagement between our Trade Unions and their members.

We are committed to ongoing staff listening activities, including running a staff engagement survey every two years. Our governance arrangements also provide for staff and student voices to be heard through membership of all senior decision-making bodies.

**We invest in workforce development**

Formal and informal learning is delivered and encouraged across the workforce, with learning opportunities for employees at all levels delivered through our YourDevelopment calendar. Specific development opportunities for academic staff are provided through our Learning Enhancement and Academic Development (LEAD) team, and through our Research, Knowledge Exchange, and Development Unit (RKEDU).

We are committed to providing apprenticeships and other opportunities for young people. We provide training for employees to become Mental Health First Aiders, who volunteer to offer confidential support to other employees in times of vulnerability.

We hold an institutional Athena Bronze Award and participate in the Disability Confident Employer scheme.

**We do not use zero-hours contracts inappropriately**

We abolished the use of zero hours' contracts in 2014. We are committed to minimising our use of casual and fixed term contracts through the implementation of our Appropriate Contract Use Policy. We have a clear process in place to allow workers to move from a casual engagement to a temporary or open-ended contract where a longer-term need for the work has been identified.

**We take action to tackle the gender pay gap and create a more diverse and inclusive workplace**

Our equality outcomes support several actions to ensure we continue to understand any actual or perceived barriers to employment and progression. We gather data to understand our workforce diversity and pay gap information and report on our progress annually through our Equality and Diversity committee to the University Court.

We support flexible working across the University, offering a wide range of working options, with all employees entitled to apply for flexible working from day one of employment. We offer employees the opportunity to adopt hybrid working, supporting employees to find the appropriate balance of home and on campus working.

**We are committed to a working environment where carers and those with caring responsibilities are valued and supported**

We are a Disability Confident employer, encouraging the employment and retention of disabled people and those with health conditions. We make reasonable adjustments for employees with a disability or who have a short or long-term impairment that could affect their ability to work.

**We commit to paying the Real Living Wage**

We are an accredited Living Wage employer. The Living Wage commitment sees everyone working at QMU, regardless of whether they are permanent employees or third-party contractors, receive a real Living Wage. The University's third-party contractors adopt the Living Wage as and when existing contracts are renewed.

**We offer flexible and family-friendly working practices for all staff**

These include Part time and term time working arrangements, Flexible and Hybrid Working, Maternity Leave, Partner Leave and Shared Parental Leave, Time off for Care of Dependents, Parental Bereavement Leave / Baby Loss Leave, Fertility Leave, Career Break, and Bereavement Leave

**We oppose the use of fire and rehire practice**

We only consider affecting change where there is a legitimate business need. We are committed to working with our Trade Unions to ensure there is effective consultation and negotiation relating to significant organisational change.

**Student Satisfaction**

The University participates in the National Student Survey (NSS). Results from the 2024 NSS showed that 72.7% of students at Queen Margaret University are satisfied overall with the quality of their course, a 1.4% drop in the standalone score for overall satisfaction. The positivity measure - the proportion of respondents who gave a positive answer – mostly matched or exceeded last year's results. Benchmark data indicated that QMU exceeded the benchmarks by 0 - 2% in 9 of the 27 core questions (and by +7.2% for the question, 'How well does the students' union represent students' academic interests?'), with five programmes achieving overall satisfaction scores of 90% or above.

However, on several programmes, student satisfaction was significantly below the benchmark for their subject areas across several questions, particularly in relation to course organisation and assessment and feedback. While that can partly be attributed to disruption to programme delivery and assessment because of localised industrial action over the last two years, the Student Survey Results working group has agreed a set of prioritised cross-university and programme specific actions to address below benchmark areas of performance.

**Graduate Employment**

The University offers a coherent, distinctive portfolio of programmes in healthcare, social sciences, creative arts, business, management and enterprise, and primary and secondary teaching - with a particular focus on meeting the employment needs of the public sector in Scotland. Consequently, over half of our undergraduate and postgraduate programmes provide students with the qualifications necessary to enter the health and education sectors. A significant proportion of those programmes (Nursing, Paramedic Science, and Initial Teaching Education) fall under the SFC's controlled funded places.

The University offers the widest range of allied health programmes in Scotland and is one of only two providers in speech and language therapy, audiology, and in therapeutic radiography. Similarly, in addition to delivering the BA (Hons) Education Studies (Primary), our largest single cohort of students, we deliver postgraduate initial teaching education provision in Home Economics

(PGDE Secondary), acknowledged by SFC as a 'hard to fill' PGDE Secondary subject. We expanded our PGDE Secondary provision for 2023-24 to include another hard to fill subject, Religious, Moral and Philosophical Studies, as well as Business Education. These developments demonstrate the University's ongoing commitment to ensuring its provision directly addresses the workforce needs of the Scottish public sector.

Our focus on graduate employability is being advanced through our Employability Strategy, which outlines the measures we take to create an environment in which students develop the skills and attributes needed to flourish in a rapidly changing labour market. It represents an agreement on the focus and priorities of the Careers and Employability team, programme teams and our external partners over the period 2021-2026. Developed against the backdrop of the COVID-19 pandemic, it includes projects which support students to navigate uncertain labour markets and the economic downturn, and to maximise opportunities presented by changing working practices across all industries and sectors.

As a result of our combined efforts to develop students' employability, at 4.6%, the University has one of the lowest levels of unemployment in Scotland for its graduates 15 months after they have graduated. We are in top 5 of Scottish universities for the number of graduates in full-time employment 15 months after they have graduated. (Source: Graduate Outcome Statistics 2021/22 published by HESA in 2024).

**Environmental Issues**

The University recognises the wide range of climate change impacts that will influence our environment both locally and globally. While these have the potential to pose a significant threat to the sustainability of the University, we embrace our role in contributing to the delivery of real change through reductions in our own carbon emissions, as well as influencing the understanding and behaviour in our staff and students. To support our commitment, the University has signed up to the UN global back campaign 'Race to Zero' and is pleased to confirm that it is compliant with Scottish Government sustainability reporting in accordance with the Climate Change (Scotland) Act.

The University made its first significant contribution to climate change with the move to its sustainably designed and delivered campus in 2007. This was recognised through the accreditation of BREEAM excellent and CEEQUAL standards, with the former achieving the highest ever score recorded for an HE institution. The campus development reduced our annual operational carbon mission by 38% and the holistic approach we adopted to environmental sustainability has ensured that further operational based awards have been achieved. These include recognition for our low carbon IT solutions, renewable fuel sources and a range of active travel awards. Our ongoing commitment to the environment ensures that our CO2 emissions per student are regularly amongst the very lowest across the UK HE sector.

Our future ambitions are set out clearly in the University Climate Change and Net Zero Strategy – A Shared Common Future, approved by the Court in February 2023. We continue to deliver on the Climate Emergency and sustainability across the three pillars – environmental, economic, and social. The current target in our Climate Change and Net-Zero Strategy is for the University to be net-zero by 2044 with an interim reduction target of 42% by 2030.

As part of the annual operational planning process the Campus Services Directorate will establish targets for energy efficiency, waste management, travel and transport, as well as landscape and biodiversity. These are subsequently tracked through a series of key performance indicators relating to carbon, energy and waste management, with an annual review conducted. Substantive progress is being made towards this interim target, with the potential that this will be achieved significantly ahead of schedule.

While decarbonisation is a core element within the strategy, a holistic University-wide approach beyond simple carbon reduction is proposed which demonstrates committed leadership on climate change. It reflects our roles as a civic partner and in educating and inspiring future generations and researching the impacts of real-world climate change on society. The strategy draws on the role of the University as an enabler in educating and inspiring future generations in influencing sustained and embedded change rather than a focus purely on carbon metrics or the physical and operational boundaries on the University operations.

**Future Developments**

In order to take advantage of further opportunities as they arise, the University is continuing to focus on ensuring that its academic, infrastructure, digital, human resources and financial strategies are closely aligned. The University continues to make good progress in a number of areas which will ensure that it is able to achieve the objectives set out in its strategic plan during the period through to 2025. This will, in turn, allow the University to continue to generate an adequate level of cash in the short to medium term and to maintain an adequate level of reserves. The Court carries out regular monitoring of the University's financial sustainability, as described above.

The funding environment for Scottish higher education institutions was already challenging, with sector-level evidence that funding for publicly funded teaching and research was insufficient to cover the full cost of delivery. Universities continue to face significant pressures on costs, particularly staff costs and inflation impacted non pay costs. In order to address this position, the University has a five-year proposition, covering the period to 2027.

This proposition involves targeting developments in three main areas, as follows:

- Increasing postgraduate student numbers;
- Developing new online provision at scale; and
- Growth in transnational education partnerships.

Notable progress has been made in two of three development areas identified above. The University successfully commenced its first online course in 2023, and now has an offering of nine courses, with further courses under in the development pipeline. Transnational partnerships have been launched in new markets in Uzbekistan and Sri Lanka, and the University has a further partnership in India as well as expanded our course provision with our longest standing collaborator in Greece. This has delivered significant growth in TNE headcount, which the University forecasts to continue as programmes mature and further new opportunities. However, the University recognises the continuing challenging recruitment environment with respect to postgraduate students, which has limited our ability to increase student numbers.

The long-term financial health of the University will continue to depend upon its ability to grow and diversify its income base, and to control costs, whilst making available sufficient funds needed as an upfront investment to enable the growth areas noted above to take place.

**On behalf of the University Court**

Pamela Woodburn

Pamela Woodburn
Chair
20 December 2024

## DIRECTORS' REPORT

### Section 172(1) Statement - Companies Act 2006

This statement sets out how the Directors of Queen Margaret University, Edinburgh, have applied and complied with Section 172(1) of the Companies Act 2006 in accordance with the Companies (Miscellaneous Reporting) Regulations 2018. The University Court, as Directors of the company limited by guarantee, must, as those of all UK companies, act in accordance with a set of general duties set out in section 172 of the Companies Act 2006 (the Act). The Board of Directors consider, both individually and together, that they have acted in the way, in good faith, that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act in the decisions taken during the year ended 31 July 2024.

The Board of Directors' intention is to behave responsibly and ensure that the University business operates in a responsible manner with the aim of maintaining a reputation for high standards of business conduct and good governance. The Board is collectively responsible for the long-term success of the University and, as part of their induction programme, the Directors are briefed on their duties under the Act. Directors also have access to ongoing training and development to provide them with the relevant skills and knowledge to conduct their duties as Directors on the Board. Further information on the way in which the Directors fulfil their duties relating to good governance and decision making under the Act is set out in the Corporate Governance Statement later in this report.

### Employee Involvement

The University recognises the benefits of keeping employees informed of its financial and academic performance. Information on matters of interest to employees is given through staff briefing sessions and through regular communication from the Principal.

### Student Involvement

The University seeks to take account of the views of the student body. The Student President (Academic) and the Student President (Activities) are full members of the University Court and the Senate. There are two additional student members of Senate, making four in total, or 10% of the total membership, and student representation on all other major committees of the University. Senior members of staff, including the Principal, engage with the Students' Union from time to time to explain aspects of the University's operations and plans and to answer questions from student representatives. The Deputy Principal and Deputy Vice-Chancellor, The Vice-Principal & University Secretary and the SU Sabbatical Officers meet regularly as the Student Union Partnership Board to discuss issues of common concern and interest. A Student Partnership Agreement has been put in place between the University and the Students' Union. The University also provides an annual grant to the Students' Union.

### Directors' and Officers' Liability Insurance

During the year the University maintained a Directors' and Officers' liability insurance policy to provide cover against any civil liability attaching to Court members or Officers of the University in connection with their University activities.

### Members' Liability

The liability of each member of the University upon winding up of the Company is limited to 50p. Distributions to members are not permitted by the Articles of Association of the Company.

**Employment of Disabled Persons**

The University's policy remains to afford equal opportunity to all, including disabled people whether registered or not, to apply for employment and, during employment, to receive the support and development they require to enable them to make a full contribution to the University.

**Creditors' Payment Policy**

Unless special terms are agreed, it is the University's policy to pay invoices 30 days from the date of the invoice (in accordance with the CBI prompt payment code). In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms. At 31 July 2024, trade creditors represented 32 days of relevant expenditure (2023: 26 days). Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 was £nil (2022/23: £nil).

**Going Concern**

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, which also includes information on cash flows and borrowing facilities, and the University Court's assessment of going concern. Further information on the assessment of going concern is also set out in the section on accounting policies on page 33. Demand from students for the University's courses remains strong. Consequently, the University Court believes that the University is well placed to manage its business risks successfully.

## MEMBERSHIP OF THE UNIVERSITY COURT

| Name | Appointed/retired date | Attendance Record | Interests / occupation |
|---|---|---|---|
| Pamela Woodburn (Chair) | Appointed 1 April 2021 | 5/5 | Manager, Christian Aid |
| Professor John Harper (Vice-Chair) | Appointed 1 December 2020 | 5/5 | Former Principal & Vice-Chancellor, Robert Gordon University |
| Janet Archer | Appointed 1 October 2022 | 4/5 | Chief Executive, Edinburgh Printmakers |
| Patrick Bartlett | Appointed 1 February 2024 | 3/3 | Chartered Accountant |
| Jay Brown | Appointed 10 June 2023 | 5/5 | Student President – Academic Life |
| Professor Richard Butt | Appointed 1 September 2016 | 4/5 | Deputy Principal and Deputy Vice-Chancellor *Ex Officio* |
| Julie Churchill | Appointed 8 March 2021 | 3/5 | Staff Member, Appointed by Senate |
| Karen Cullen | Appointed 1 June 2019 | 4/5 | Elected Support Staff Member |
| Dr Maria Giatsi-Clausen | Appointed 1 October 2019 | 4/5 | Nominated Trade Union Member – Academic Staff |
| Sir Paul Grice | Appointed 1 October 2019 | 4/5 | Principal & Vice-Chancellor, *Ex Officio* |
| Steven Hendry | Appointed 1 June 2021 | 5/5 | Director, Capital Markets Team, CBRE |
| Ellenore Hobkirk | Appointed 1 March 2024 | 2/2 | Philanthropy wealth planning specialist |
| Dr Kavi Jagadamma | Appointed 1 December 2022 | 4/5 | Elected Academic Staff Member |
| Dr Arturo Langa | Appointed 1 October 2019 | 3/5 | Consultant Psychiatrist, NHS Lanarkshire |
| James Miller | Appointed 1 February 2023 | 5/5 | Chartered Accountant |
| Melanie Moreland | Retired 31 December 2023 | 1/2 | Senior Manager/Delivery Manager, Royal Bank of Scotland |
| Jacqueline Morrison | Appointed 1 February 2023 | 5/5 | Director, Napkin Innovation |
| Robert Pattullo | Retired 30 April 2024 | 3/4 | Start-up Company Mentor, Former Vice-Chair Citizens' Advice Edinburgh |
| Elizabeth Porter | Appointed 1 October 2019 | 4/5 | Chartered Management Accountant |
| Garvin Sealy | Appointed 1 June 2021 | 4/5 | Co-Director, Equali-Tree Community Interest Company |
| Carol Sinclair | Appointed 1 October 2022 | 5/5 | Director, Sinclair Wilson, Arts & Business Consultancy |
| Guy Smith | Appointed 1 October 2022 | 5/5 | Finance Director |
| Bill Stronach | Appointed 1 February 2023 | 4/5 | Nominated Trade Union Member – Support Staff |
| Andrew Watson | Appointed 1 February 2024 | 3/3 | Director, Dundee Student Villages |

## Membership of University Court Committees during the year to 31 July 2024

### Audit and Risk Committee

| Name | Role | | Attendance record |
|---|---|---|---|
| Guy Smith | Convener | Appointed 1 July 2023 | 4/4 |
| James Miller | | Appointed 1 July 2023 | 2/4 |
| Carol Sinclair | | | 4/4 |

### Finance & Estates Committee

| Name | Role | | Attendance record |
|---|---|---|---|
| Robert Pattullo | Convener | Retired 30 April 2024 | 4/7 |
| Janet Archer | | | 7/7 |
| Professor Richard Butt | | | 6/7 |
| Sir Paul Grice | | | 6/7 |
| Professor John Harper | | | 7/7 |
| Steven Hendry | | | 7/7 |
| Elizabeth Porter | | | 5/7 |
| Andrew Watson | | Appointed 1 May 2024 | 1/2 |

### Nominations Committee

| **Name** | **Role** | | **Attendance record** |
|---|---|---|---|
| Pamela Woodburn | Convener | | 2/2 |
| Jay Brown | | Appointed 10 June 2023 | 1/2 |
| Karen Cullen | | | 2/2 |
| Sir Paul Grice | | | 1/2 |
| Professor John Harper | | | 1/2 |
| Garvin Sealy | | | 2/2 |

### Senior Management Remuneration Committee

| **Name** | **Role** | | **Attendance record** |
|---|---|---|---|
| Professor John Harper | Convener | | 1/1 |
| Guy Smith | | | 1/1 |
| Pamela Woodburn | | | 1/1 |

### Disclosure of information to auditors

The members of the University Court who held office at the date of approval of these financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware. Each member of the University Court has taken all the steps that he/she ought reasonably to have taken as a Member of Court to make himself/herself aware of any relevant audit information and to establish that the University's auditors are aware of that information.

**On behalf of the University Court**

Pamela Woodburn

Pamela Woodburn
Chair
20 December 2024

## CORPORATE GOVERNANCE STATEMENT

### Summary of the University's Structure of Corporate Governance

The University is committed to best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code 2018, in so far as they apply to the higher education sector. The University has followed the internal control guidance for directors on the Code as amended by the British Universities Finance Directors Group, and has also aligned its practice fully against the principles set out in the Scottish Code of Good Higher Education Governance (Revised 2017 and updated 2023). The purpose of this summary is to assist the reader of the financial statements to understand how the principles of good governance set out in both codes have been applied.

The University is not required to comply with the UK Corporate Governance Code. However, it has reported on its Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that it considers to be relevant to the company and best practice, and it has done so throughout the year ended 31 July 2024. The University Court also considers that the University is compliant with the principles of the Scottish Code of Good Higher Education Governance 2017 (update published March 2023).

Consistent with Article 4(9) of the University's Statutory Instrument and the Scottish Code of Good Higher Education Governance (2023), the University Court has adopted a Statement of Primary Responsibilities that includes provisions relating to:

- determining the University's mission and strategic vision, its strategic plan, key performance indicators (KPIs) and annual budgets, fostering an environment in which the objects of the University are achieved with due regard to the interests of students, staff, and other stakeholders;
- appointing a Chancellor;
- appointing a Principal and Vice-Chancellor of the University, including the terms and conditions attaching to such appointment, and putting in place suitable arrangements for reviewing their performance;
- protecting the reputation and values of the University, and overseeing its activities;
- ensuring, in conjunction with Senate, the quality of institutional educational provision and adequate provision for the general welfare of students;
- ensuring that non-discriminatory systems are in place to provide equality and diversity of opportunity for staff and students;
- ensuring adherence to the funding requirements specified by the Scottish Funding Council in its Financial Memorandum and other funding documents;
- ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and "whistleblowing" complaints, and for managing conflicts of interest; and
- monitoring institutional performance against plans and approved KPIs which, where possible and appropriate, should be benchmarked against other comparable institutions.

The full Statement of Primary Responsibilities can be found as part of the Court Members' Handbook on the University website: https://www.qmu.ac.uk/about-the-university/university-court/

The University Court is responsible for the University's system of internal control, and for reviewing its effectiveness. This system relies on management informing the University Court of any potential internal control issues, and proposing to the University Court any necessary remedial action. 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 Court is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks, which has been in place throughout the year ended 31 July 2024 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the University Court, and accords with the Turnbull guidance, as applicable to the higher education sector. The University has in place a business continuity and risk management and policy framework for the whole organisation. In addition, each of the key areas within the institution, including the Senior Leadership Team (SLT), has in place local procedures detailing action to be taken in response to a potential or actual disaster. Risk management is a standing item on the agenda of the Senior Leadership Team and the Audit & Risk Committee, and regular reports are made to the University Court. Arrangements to review and update elements of the University's business continuity and risk management and policy framework commenced in 2024 under the guidance of the Audit and Risk Committee, the outcome of which will be provided to the University Court in early 2025 for discussion and agreement.

The University Court comprises categories of persons appointed under the University's Statutory Instrument, an amended version of which came into force on 1 October 2019. The majority of the membership is non-executive, and the roles of Chair and Vice-Chair of the University Court are separated from the role of the University's chief executive, the Principal and Vice-Chancellor.

Under the 2007 Order of Council, the University Court delegates to the Principal and Vice-Chancellor the organisation, management and discipline of the University. In discharging these functions, the Principal and Vice-Chancellor is subject to the general control and direction of, and is accountable to, the University Court, but otherwise has all powers and duties of the University Court in relation to these functions. The University maintains a register of interests of members of the University Court and senior officers, which is published on the University website.

To assist members in the performance of their duties, members of the University Court were offered, and attended a number of training and development opportunities during 2023-24. Members also received presentations on strategic themes relevant to the work of the University at each Court meeting. Training and development opportunities offered to Court members included:

- Advance HE - Governor Development Programme: New Governors of Scottish HEIs
- Governor Development Programme event for Scotland, May 2024.
- Equality and Diversity Training - on-line

New members also received a formal induction session supported by the Court Members' Handbook, published originally in October 2016 and updated annually. The current version may be found at: https://www.qmu.ac.uk/media/aepmyw5r/court-members-handbook.pdf.

In accordance with the Financial Memorandum with the Scottish Funding Council (SFC), the University Court is responsible for setting the strategic direction of the University, the approval of overall institutional budgets and major developments and the receipt of regular reports from executive officers on the day-to-day operation of its business and its subsidiary companies.

The University Court has five Ordinary meetings per annum and has provided delegated authority to a number of Committees, as set out below. In line with good governance, the discussion and decisions of the University Court have been recorded in the form of confirmed minutes approved by members.

University Court members engaged additionally in detailed discussion at a Strategy Day held on 26 April 2024. The event provided members with the opportunity to discuss and agree matters of strategic importance under the following headings:

- 'From 'here' to 'there' – setting the direction of travel to 2029.
- Student Number Mix and Tuition Fee Growth
- HE Financial Sustainability, and the development of a Target Operating Model

Each meeting includes briefing on sector wide developments and concerns, supported by papers for information.

Each of the standing Committees of the University Court is formally constituted with published terms of reference, and with membership comprised mainly of lay members of the University Court, one of whom is the Convener. Lay members are represented on the Equality and Diversity Committee and the Health and Safety Committee, both of which report to the University Court.

**The Audit & Risk Committee** meets at least three times annually to discuss audit, risk and control matters, with the University's external and internal auditors in attendance as appropriate. Established practice has seen the committee hold one of its meetings jointly with the Finance & Estates Committee. The Committee considers detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management responses and implementation plans. It also receives and considers reports from the Scottish Funding Council where such reports impact on the University's business, and monitors adherence to the regulatory requirements. It reviews the University's annual financial statements. Members of the Senior Leadership Team attend the Audit & Risk Committee as necessary, but are not in membership. The Committee meets at least once a year with the external auditors for independent discussion in the absence of executive officers. The identification, assessment and management of risk is a standing item at each meeting of the Committee, and these matters are reported thereafter to the University Court.

**The Finance & Estates Committee** reviews and recommends to the University Court the University's financial strategy, as well as the annual revenue and capital budgets. It monitors performance in relation to approved budgets and borrowings through the use of key performance indicators, and through a review of quarterly and annual financial reports. The Committee also considers matters relating to the development and maintenance of the University's estate.

**The Nominations Committee** makes recommendations to the University Court on appointment to vacancies in the University Court lay membership, and on appointment to vacancies in the standing committees of the Court in line with each respective committee's skills matrix. The Committee met twice during the period of review, and conducted one round of lay member appointments.

**The Senior Management Remuneration Committee** develops, on behalf of the University Court, senior management remuneration policies and processes for final determination by the University Court. The Committee determines and reviews the salaries and terms and conditions of the Principal and members of the Senior Leadership Team in line with agreed policies, and in accordance with good corporate and higher education governance. The Principal attends meetings of the Committee, but is not a member, and does not participate in any review by the Committee of their own remuneration or reward package. The Committee also reviews arrangements in place for determining the salaries of those senior staff with Professorial title.

The Committee met once during the period of this review, in December 2023, where it made recommendation to the Court on the application of the National Annual Pay Award to members of the Senior Leadership Team in fulfilment of Paragraph 5.8 of the Senior Management Remuneration Review Policy. The committee also made recommendation to the University Court on revisions to the Senior Management Remuneration Review Policy, which were approved by the Court.

The Senior Leadership Team comprises the Principal, the Deputy Principal, the Interim Finance Director, the Vice-Principal and University Secretary, the Chief Operations Officer, and the two Deans of School. It receives reports on key performance and risk indicators, and discusses any control issues brought to its attention. The Senior Leadership Team and the Audit & Risk Committee receive regular reports from the internal auditors, with the Audit & Risk Committee's role in this area being confined to a high-level review of the arrangements for internal financial control. The University Court receives reports on risk and control issues from management and the Audit & Risk Committee as appropriate.

**Higher Education Governance (Scotland) Act 2016**

The Higher Education Governance (Scotland) Act 2016 (Commencement, Transitory, Transitional and Savings Provisions) Regulations 2016 were laid in Parliament on 24 November 2016, and came into force on 30 December 2016. The University Court has assessed in full the impact of the key provisions of the Act on the University's governance arrangements, including those concerning the election of the senior lay member of the governing body, and the composition and size of the

Court and the Senate. The Queen Margaret University, Edinburgh (Scotland) Amendment Order of Council 2019 came into force on 1 October 2019.

The requirements for membership of the academic board of a higher education institution have been met fully. The Order of Council 2007 does not set out in detail the composition of the Senate, but rather states simply that the Court 'shall establish a Senate which shall be constituted and regulated in a manner specified by the Court from time to time on the recommendation of the Principal'. Consequently, there was no requirement to amend the Order of Council to bring it in line with the legislation.

The University Court completed a full mapping of its alignment with the requirements of the revised Scottish Code of Good Higher Education Governance on its publication in 2017. The one outstanding matter arising from that mapping was concluded on 1 October 2019, with the publication of the amended Queen Margaret University Order of Council which established rules that formed the basis of the Chair of Court election in January 2021.

The University Court received a full briefing at its June 2023 meeting on amendments contained within the revised Scottish Code published in March 2023. The amendments do not represent a fundamental change in governance or practice within the Higher Education sector. The Higher Education Governance (Scotland) Act 2016 added to the legislative context, and the 2023 Edition takes the opportunity to set out in more detail specific requirements introduced by the 2016 Act. To that extent, and as noted above, much of the revision may be considered clarification or amplification of the Higher Education Governance (Scotland) Act 2016. Consequently, the matters set out did not represent areas where the University Court was required to revise its practice to be remain compliant.

In the opinion of the University Court, the University complied with all the principles and provisions of the 2017 (update published March 2023) Scottish Code of Good Higher Education Governance throughout the year to 31 July 2024.

**Review of Effectiveness**

The University Court has established as a Key Performance Indicator of the effectiveness of its performance, and of its Committees, 'Full alignment with the Scottish Code of Good Higher Education Governance'. The Scottish Code of Good Higher Education Governance requires that governing bodies keep their effectiveness under review, as set out under paragraph 49 of the Code:

'The governing body is expected to review its own effectiveness each year and to undertake an externally facilitated evaluation of its own effectiveness and that of its committees, including size and composition of membership, at least every five years'.

In early 2022 we conducted our five yearly externally facilitated Court Effectiveness review, having extended the timeline for this because of the impact of COVID on University business. A Court Effectiveness Steering Group was established to oversee the review, and its work was facilitated by Advance HE. The scope of the review was defined as being to 'provide an evaluation of the effectiveness of the current arrangements for Court and Senate'. The overarching judgement arising from the review was that the University Court continues to have in place effective arrangements to meet its key obligations, as set out in the University Court Statement of Primary Responsibilities. Based on the evidence considered, the review concluded that the Court could have full confidence in QMU's arrangements for academic assurance and enhancement, noting that quality mechanisms are applied consistently, including across online, international and collaborative provision.

All actions arising from the review were completed by June 2023, including the agreement to launch a governor apprenticeship scheme in 2023/24. The Review Report can be accessed at the following link: https://www.qmu.ac.uk/about-the-university/university-court/court-effectiveness-review-2022/

We have made significant progress over recent years to enhance the diversity of our Court, but we recognise that more needs to be done. To address this, we launched a scheme to extend the pool of potential candidates for Court membership to those who possess relevant professional expertise and/or skills, but who do not possess the prior board experience normally required of such appointment.

Through a combination of informal and formal support and training, the scheme will equip individuals with potential with the necessary 'information capital' normally expected of and demonstrated by candidates for lay Court membership. The Governor Investment Scheme (GIVE) will address an identified need to create a pipeline of diverse and appointable candidates for Court vacancies that will contribute to Court effectiveness by securing input from individuals with a range of diverse perspectives. It will also contribute to our succession planning arrangements and to the efficacy of established recruitment arrangements.

We continue to work hard to maintain an appropriate gender balance on the Court as required under the Gender Representation on Boards legislation.

**Equality and Diversity**

While responsibility for mainstreaming equality and diversity within the University rests with all staff and students, the University Court is, as a matter of law, responsible for ensuring compliance with the Equality Act 2010 and for ensuring that the University meets its public sector equality duty (PSED) and the specific duties relevant to Scotland. The University Court exercises such oversight through the Equality and Diversity Committee (EDC), which is responsible to the University Court for the development of the strategic framework for equality in service provision and in employment across the University.

Embedding equality and diversity in our governance structures and in our strategic planning process is critical to mainstreaming equality and diversity, as is defining responsibilities, setting performance measures and monitoring progress against those measures. The University's Mainstreaming Report and Equality Outcomes, which sets out progress on mainstreaming equality and establishes a number of outcomes for the period 2021-25, was approved by the Court in April 2021. Progress on the achievement of our Equality Outcomes were published in April 2023: https://www.qmu.ac.uk/about-the-university/equality-and-diversity/mainstreaming-report-equality-outcomes-and-employee-information/

The University is committed to ensuring that the University Court, Senate and all committees and decision-making bodies of the University are representative of its community. In particular, the University is committed to achieving the following goals and targets:

- Achieving practical gender balance amongst lay members of Court. Practical gender balance will be achieved where the lay membership of Court constitutes not less than 40% of either gender.
- Undertaking an annual review of the equality and diversity characteristics of the Court or as a specific need for review is identified.
- In undertaking any recruitment activity concerning the appointment of lay members of Court, the Court will have regard to equality and diversity characteristics of the Court and will take positive actions to increase the likelihood of applications being submitted from applicants that would enhance the representative character of the Court.

The outcomes established in these reports, and within the University's Outcome Agreement with the SFC, form the basis of the Equality and Diversity Committee Action Plan, updates to which were reported at each meeting of the University Court.

During 2023-24, we continued to reflect on the balance of diversity on the Court, while seeking also to maintain the gender balance required under the Gender Representation on Boards legislation. The gender balance of lay membership at the time of writing is 50% female and 50% male, with female members accounting for 48% of the total Court membership (12/25).

**System of Internal Financial Control**

The key elements of the Group's system of internal financial control include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic divisions and support units;
- a comprehensive medium and short-term planning process, supplemented by detailed monthly income and expenditure reports, and annual capital budgets;
- monthly review of financial results involving variance and KPI reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving significant capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels;
  comprehensive financial regulations, detailing financial controls and procedures;
- an independent professional internal audit team whose annual programme is approved by the Audit & Risk Committee.

The Audit & Risk Committee, on behalf of the University Court, reviews the effectiveness of the Group's system of internal financial control as part of a rolling programme. The Committee has formed the opinion that the University's systems provide a reasonable basis for maintaining control and ensuring the achievement of economy, efficiency and effectiveness. In reaching its opinion, the Committee has taken into account the opinions of the internal and external auditors, as well as information and representations provided by University management to the Committee and to the University Court. The Committee has noted that University management is continuing to work towards further strengthening of the control environment with a particular focus on those areas of significant risk within the wider control framework. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

**On behalf of the University Court**

| | |
|---|---|
| Pamela Woodburn | Sir Paul Grice |
| Chair | Principal & Vice-Chancellor |

20 December 2024

## RESPONSIBILITIES OF THE UNIVERSITY COURT

In accordance with the Companies Act and the University's Statutory Instrument, the University Court is responsible for the strategic development of the University, and for ensuring that the affairs of the University are administered and managed appropriately, including ensuring an effective system of internal control, and that audited financial statements are presented for each financial year.

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The University 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 reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COURT OF QUEEN MARGARET UNIVERSITY, EDINBURGH**

## Opinion

We have audited the financial statements of Queen Margrate University('the institution') and its subsidiaries ('the group') for the year ended 31 July 2024 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Balance Sheet, Consolidated Statement of cash flows, and the Consolidated and University Statement of changes in reserves and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group and institution's affairs as at 31 July 2024 and of the group and institution's incoming resources and application of resources, including its income and expenditure, for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);

- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006; and

- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

## Basis for opinion

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

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

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the University Court's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and institution's ability to continue as a going concern for a period of 19 months to 31st July 2026.

Our responsibilities and the responsibilities of the University Court with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and institution's ability to continue as a going concern.

## Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the annual report, which includes the directors' report and the strategic report prepared for the purpose of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- The strategic report and the directors' report included within the annual report have been prepared in accordance with applicable legal requirements

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

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

- the requirements of the SFC's accounts direction have been met;

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

- funds provided by SFC have been applied in accordance with the requirements of the SFC Financial Memorandum with Higher Education Institutions.

## Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and parent institution and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report and directors' report included within the annual report.

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

- adequate and proper accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of the University Court

As explained more fully in the responsibilities of the University Court statement set out on page 24, the University Court (who are also the directors of the University for the purposes of company law) is responsible for the preparation of the financial statements and for being satisfied that give a true and fair view, and for such internal control as the University Court determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the group and institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or institution or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and institution and determined that the most significant are FRS 102, Statement of Recommended Practice for Further and Higher Education and the Companies Act 2006. We understood how the group and institution is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of the Court minutes and papers provided to the Audit and Risk Committee, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up.

- We assessed the susceptibility of the group and institution's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage financial performance. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business; review of Court minutes to identify any non-compliance with laws and regulations, and inspection of any correspondence between the University and Scottish Funding Council.

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

### Use of our report

This report is made solely to the University Court, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the University Court, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Queen Margaret University and the University Court as a body for our audit work, for this report, or for the opinions we have formed.

Signed by:

Ernst and Young LLP

FC9A8364442948C...

**Rob Jones (Senior statutory auditor)**

**for and on behalf of Ernst & Young LLP, Statutory Auditor**

**Glasgow**

**Date:** 23 December 2024

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**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE**
**For the Year Ended 31 July 2024**

| | | Consolidated | | University | |
|---|---|---|---|---|---|
| | | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | | £000 | £000 | £000 | £000 |
| **INCOME** | *Note* | | | | |
| Tuition fees and education contracts | *1* | 19,839 | 18,168 | 19,839 | 18,168 |
| Scottish Funding Council grants | *2* | 22,429 | 22,204 | 22,429 | 22,204 |
| Research grants and contracts | *3* | 1,877 | 2,015 | 1,873 | 2,006 |
| Other operating income | *4* | 7,577 | 7,321 | 7,459 | 7,087 |
| Investment income | *5* | 2,132 | 998 | 2,093 | 980 |
| Donations and endowments | *6* | 272 | 410 | 272 | 410 |
| **Total Income** | | **54,126** | **51,117** | **53,966** | **50,856** |
| **EXPENDITURE** | | | | | |
| Staff costs | *7* | 32,100 | 29,920 | 32,065 | 29,814 |
| USS pension unwind | *7* | (1,934) | - | (1,934) | - |
| Other operating expenses | *10* | 14,298 | 14,823 | 14,173 | 14,668 |
| Depreciation / Amortisation | *11, 12* | 5,805 | 5,405 | 5,805 | 5,405 |
| Interest and other finance costs | *8* | 732 | 807 | 732 | 807 |
| **Total Expenditure** | | **51,002** | **50,955** | **50,841** | **50,694** |
| **Operating Surplus / (deficit) for the year** | | **3,125** | **162** | **3,125** | **162** |
| Gain/(loss) on disposal of tangible assets | | - | - | - | - |
| **Surplus / (deficit) before tax** | | **3,125** | **162** | **3,125** | **162** |
| Taxation | | - | - | - | - |
| **Surplus / (deficit) for the year** | | **3,125** | **162** | **3,125** | **162** |
| Unrealised surplus on revaluation of land and buildings | | 2,087 | 8,009 | 2,087 | 8,009 |
| Actuarial (loss) /gain in respect of Pension Schemes | | (869) | 15,454 | (869) | 15,454 |
| **Total comprehensive income for the year** | | **4,343** | **23,625** | **4,343** | **23,625** |
| **Represented by:-** | | | | | |
| Endowment comprehensive income for the year | | (21) | (67) | (21) | (67) |
| Unrestricted comprehensive income for the year | | 2,276 | 15,683 | 2,276 | 15,683 |
| Revaluation reserve comprehensive income for the year | | 2,087 | 8,009 | 2,087 | 8,009 |
| | | **4,343** | **23,625** | **4,343** | **23,625** |

All items of income and expenditure relate to continuing activities.

The accompanying notes and policies on pages 40 to 56 form part of these financial statements.

**STATEMENT OF CHANGES IN RESERVES**
**For the Year Ended 31 July 2024**

| | Income & Expenditure Account | | Revaluation | Total |
|---|---|---|---|---|
| | *Endowments* | *Unrestricted* | reserve | reserves |
| | £000 | £000 | £000 | £000 |
| **Balance at 1 August 2022** | **1,219** | **38,374** | **80,889** | **120,482** |
| Surplus / (deficit) from the income and expenditure statement | (67) | 15,683 | - | 15,616 |
| Revaluation gain | - | - | 8,009 | 8,009 |
| **Balance at 1st August 2023** | **1,152** | **54,058** | **88,898** | **144,108** |
| Surplus / (deficit) from the income and expenditure statement | (21) | 2,276 | - | 2,256 |
| Revaluation gain | - | - | 2,087 | 2,087 |
| **Balance at 31st July 2024** | **1,131** | **56,335** | **90,985** | **148,451** |

**BALANCE SHEET**
**For the Year Ended 31 July 2024**

| | Note | Consolidated 2023/24 £000 | Consolidated 2022/23 £000 | University 2023/24 £000 | University 2022/23 £000 |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible assets | 11 | 1,893 | 664 | 1,893 | 664 |
| Tangible assets | 12 | 134,797 | 136,641 | 134,797 | 136,641 |
| Investments | | - | - | - | - |
| Pension Asset | 17 | 24,696 | 24,147 | 24,696 | 24,147 |
| **Total Fixed Assets** | | **161,386** | **161,452** | **161,386** | **161,452** |
| **CURRENT ASSETS** | | | | | |
| Trade and other receivables | 14 | 2,870 | 2,703 | 3,622 | 3,163 |
| Current asset investments | | - | - | - | - |
| Cash at bank and in hand | | 18,613 | 17,450 | 17,260 | 16,606 |
| **Total Current Assets** | | **21,483** | **20,153** | **20,883** | **19,770** |
| CREDITORS: amounts falling due within one year | 15 | (25,642) | (10,195) | (25,041) | (9,812) |
| NET CURRENT ASSETS / (LIABILITIES) | | (4,159) | 9,958 | (4,159) | 9,958 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 157,228 | 171,410 | 157,228 | 171,410 |
| CREDITORS: amounts falling due after more than one year | 16 | (6,530) | (23,139) | (6,530) | (23,139) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 17 | (2,212) | (4,163) | (2,212) | (4,163) |
| Investment in Joint Venture | 13 | (34) | - | (34) | - |
| **NET ASSETS** | | **148,451** | **144,108** | **148,451** | **144,108** |
| RESTRICTED RESERVES | | | | | |
| Income & Expenditure Reserve – Endowment Reserve | 18 | 1,131 | 1,152 | 1,131 | 1,152 |
| UNRESTRICTED RESERVES | | | | | |
| Income & Expenditure Reserve – Unrestricted | | 56,335 | 54,058 | 56,335 | 54,058 |
| Revaluation reserve | 19 | 90,985 | 88,898 | 90,985 | 88,898 |
| **TOTAL RESERVES** | | **148,451** | **144,108** | **148,451** | **144,108** |

Queen Margaret University, Edinburgh
Company registered in Scotland no. SC007335

The financial statements on pages 29 to 56 were approved by the University Court on 18 December 2024 and signed on its behalf by:

Pamela Woodburn

Paul Grice

Pamela Woodburn
Chair

Sir Paul Grice
Principal & Vice-Chancellor

20 December 2024

**STATEMENT OF CASH FLOWS**
**For the Year Ended 31 July 2024**

| | Note | Consolidated 2023/24 £000 | Consolidated 2022/23 £000 |
|---|---|---|---|
| **Cash inflow from operating activities** | | | |
| Surplus / (deficit) for the year | | 3,125 | 162 |
| | | | |
| **Adjustments for non-cash items** | | | |
| Depreciation, amortisation | *11, 12* | 5,805 | 5,405 |
| Deferred capital grants released | | (649) | (649) |
| Pension costs less contributions payable | | (198) | 667 |
| (Increase) /decrease in operating debtors | | (167) | (981) |
| Increase / (decrease) in operating creditors | | 465 | 261 |
| Increase / (decrease) in pension provision | | (1,963) | (130) |
| Other operating movements | | 1 | (0) |
| | | | |
| **Adjustments for investing or financing activities** | | | |
| Investment income and interest receivable | *5* | (2,132) | (998) |
| Interest payable | *8* | 689 | 746 |
| Investment in joint venture | *13* | 34 | - |
| (Gain) / loss on the sale of tangible assets | | - | - |
| **Net cash inflow / (outflow) from operating activities** | | **5,009** | **4,481** |
| | | | |
| **Cash flows from investing activities** | | | |
| Investment income | *5* | 924 | 586 |
| Payments made to acquire fixed assets | *11, 12* | (3,103) | (609) |
| **Net cash inflow / (outflow) from investing activities** | | **(2,179)** | **(23)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest paid | *8* | (689) | (746) |
| Repayments of amounts borrowed | *20* | (1,500) | (1,506) |
| New unsecured loans in year | *20* | 521 | - |
| **Net cash inflow / (outflow) from financing activities** | | **(1,668)** | **(2,252)** |
| | | | |
| **Increase / (decrease) in cash and cash equivalents in the year** | | **1,163** | **2,206** |
| | | | |
| Cash and cash equivalents at beginning of the year | | 17,450 | 15,244 |
| Cash and cash equivalents at end of the year | | 18,613 | 17,450 |
| | | **1,163** | **2,206** |

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### (A) Basis of preparation (including going concern assessment)

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (“SORP 2019”) and in accordance with the Financial Reporting Standard (FRS) 102 and with the Accounts Direction issued by the Scottish Funding Council.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The functional currency of the University is pounds sterling, and the financial statements have been prepared to round £000s.

The financial statements have been prepared on a going concern basis. The University and Group’s activities, financial performance and financial position, together with factors likely to affect its future development and performance, are described in the Strategic Report. Emerging and principal risks and uncertainties facing the University are described on page 6. At 31 July 2024, the University held gross cash of £18.6 million, excluding restricted funds held on behalf of SAAS (2023 gross cash of £17.5million), while net current assets were (£4.2) million, this is reflective of the Barclays Loan (£15.8m) that was successfully refinanced on 17 December 2024. Excluding this balance, the Group has net current assets of £11.7 million.

The University’s external borrowings at 31 July 2024 totalled £18.7 million. Of this amount, £15.8 million relates to a secured loan facility with Barclays Bank plc to fund the campus development at Musselburgh, and £2.4 million related to an unsecured loan from the Scottish Funding Council under the Financial Transactions scheme. The University’s secured borrowings from Barclays Bank plc, as described above are subject to covenant terms. The University was fully compliant with those covenant terms during the year to 31 July 2024. Further borrowings will be repayable during the going concern period to 31 July 2026 as:

| | |
|---|---|
| SFC | £0.398 million |
| Barclays Bank | £15.809 million |

The Barclays Bank funding arrangement expired on 17 December 2024 and has been refinanced in advance. Completion of the refinancing of this loan has been approved by University Court.

A significant risk to the future financial sustainability of the University is that of further real terms reductions in the level of grant funding receivable from the Scottish Funding Council. This may be further exacerbated as a result of wider geopolitical and economic uncertainties. The University has significant cash reserves and in recent years these were used to reduce the level of borrowings. Looking forward, the University recognises the need for investment to support revisions to its operating model and in turn, enable continued growth and development. The management of our reserves and our levels of bank borrowing will be directed by this review.

Cash flow forecasts were prepared for the period up to 31 July 2026 to support management’s assessment of going concern. The institution’s base case scenario for the period forecast compliance with all loan covenants to 17 December 2024 and beyond.

Management has modelled plausible but severe downside scenarios based on a number of adverse scenarios taking place in financial years 2024/25 and 2025/26, including a reduction of planned tuition fee growth, pay and affected non pay costs remaining higher than forecast. In scenarios the University retains liquidity headroom and compliance with covenants throughout the going concern period. The University’s reverse stress testing identifies that the EBITDA to interest cost covenant in 2024/25 is under most pressure but a breach would occur only if severe downside scenarios occur without both plausible and available mitigating actions being undertaken. The University’s quarter one forecast indicates that loan covenants will continue to be met. These mitigations include, but are not limited to, reducing uncommitted future spend on discretionary

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

capital and maintenance programmes, reducing operational expenditure, reducing borrowing, and only if necessary, reducing staff numbers.

The University Court will continue to monitor its forecast compliance with covenants on a monthly basis. Management continues to assume that any support for the University's subsidiary, QMU Enterprises Limited will be minimal, and no commitment has been made to support Edinburgh Innovation Park Joint Venture Company Limited within the going concern period. As a result, management is confident that there are sufficient mitigating actions within the University's control that would offset any reduced income or increased expenditure to ensure compliance with future loan covenants should plausible downside risks materialise.

Management recognises that the severe but plausible downside scenarios assume that all events are not fully within the control of the University, regardless of management's assessment of outcome likelihood and may not occur in line with management's expectations or intentions.

The University is continuing to monitor its forecast compliance with covenants. Management is confident that there are sufficient mitigating actions within the University's control that would offset any reduced income to ensure compliance with future loan covenants.

The financial statements do not contain the adjustments that would result if the Group and University were unable to continue as a going concern.

Based on the assessment outlined above, the University has concluded that it has adequate resources to continue in operation for the period to 31 July 2026, and for this reason the going concern basis continues to be adopted when preparing the financial statements.

### (B) Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertaking for the financial year ended 31 July 2024. Details of QMU Enterprises are given in note 13. Intra-group transactions are eliminated on consolidation. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

The University and East Lothian Council each hold one share in Edinburgh Innovation Park Joint Venture Company Limited, with a nominal value of £1 per share. This joint venture between the parties was set up during 2021 with the purpose of constructing and managing the Edinburgh Innovation Park, which is being developed on land adjacent to the University campus. Since it was set up the structure of the joint venture has expanded so that it now has a wholly owned subsidiary, Hub HoldCo, which in turn has two subsidiaries, Hub DevCo and Hub OpCo, which are respectively responsible for the construction of the hub and then the running of it once it becomes operational.

Historically the University has recognised the value of the joint venture at cost, however, as activity has increased it has determined that from this financial year it shall recognise its share of the joint venture's net assets in accordance with the equity method per FRS 102. The University and East Lothian Council both hold half of the shares in the joint venture, and so the University recognises a 50% share of the net assets. Should the joint venture have negative net assets, the University shall recognise its share up to the extent that it has an obligation to fund the joint venture. Further details are contained in note 13.

The consolidated financial statements do not include the results of the Queen Margaret University Students' Union on the grounds that it is a separate legal entity in which the University has no financial interest and exerts no control or significant influence over policy decisions.

### (C) Recognition of income

Tuition fee income is stated gross of any expenditure, which is not a discount and is credited to the Consolidated Statement of Comprehensive Income & Expenditure over the period during 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 are not deducted from income.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Income from the sale of goods and services is credited to income in the year in which the goods or services are supplied to the customer or the terms of the contract have been satisfied. Investment income is credited to income on a receivable basis.

Funds which the University receives and disburses as paying agent on behalf of a funding body or other body, where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of funds, are excluded from the income and expenditure of the University.

**Grant funding**
Recurrent grants from the Scottish Funding Council are credited to income in the period in which they are receivable. Non-recurrent grants and donations are recognised when they are receivable and when performance conditions have been met. Income received in advance of performance conditions being met is included in creditors as deferred income. Where there are no performance conditions, income is recognised when it is receivable.

**Donations and endowments**
Donations and endowments with donor-imposed restrictions are recognised as income when the University is entitled to the funds. Income is retained within the restricted reserve until such time as it is utilised in line with such restrictions, at which point the income is released to the general reserve through a reserve transfer. Donations with no restrictions are recognised as income when the University is entitled to the funds.

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

### (D) Accounting for retirement benefits
Retirement benefits for employees of the University are provided by the Local Government Pension Scheme (LGPS) through the Lothian Pension Fund, the Scottish Teachers' Pension Scheme (STPS) and the Universities Superannuation Scheme (USS). All three are defined benefit schemes.

**Local Government Pension Scheme**
The Lothian Pension Fund is a funded multi-employer defined benefit scheme, with the assets held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The University recognises a liability for its share of obligations under the scheme net of its share 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 current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The fund is valued every three years by professionally qualified independent actuaries 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 its share of the surplus, either through reduced contributions in the future or through refunds from the plan in line with the specific requirements of FRS 102 accounting, not accounting for any realizable or functionally recoverable assets and the subsequent limitations in the asset position as a result.

**Scottish Teachers' Pension Scheme**
The STPS is an unfunded multi-employer defined benefit scheme. Contributions are credited to the Exchequer, and the Exchequer effectively meets the costs of all benefits. The scheme is financed by payments from employers and from those current employees who are members of the scheme and who pay contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme. The University has no obligation for other employers' obligations to the multi-employer scheme.

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

**Universities Superannuation Scheme**
The Universities Superannuation Scheme is 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 scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 (Employee Benefits), the University therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

**Enhanced pension benefits**
In a number of instances, the University has agreed to provide enhanced pension benefits in respect of members of staff taking early retirement. These additional benefits are unfunded and are charged, as and when they arise, against a provision established when members retire to meet this liability. This provision relates to former members of staff who are members of the STPS and LGPS.

**(E) Employment benefits**
Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employee renders service to the University. Any unused benefits are accrued and measured as the additional amount that the University expects to pay as a result of the unused entitlement.

**(F) Leases and hire purchase contracts**
Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

**(G) Foreign currency translations**
Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the income and expenditure account in the year in which they arise.

**(H) Fixed assets**
Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets which had been revalued to fair value on or prior to the date of transition to SORP 2015 are held on a basis of fair value cost, being the revalued amount at the date of that valuation. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings are stated at cost or valuation. Land and Buildings are externally valued at least every five years. The basis of valuation is depreciated replacement cost. In the period between external valuations the University Court reviews the value of the assets. Where the value of the Land and Buildings is considered to be below cost, either by external valuation or as a result of the Court's review, and this is considered to be a permanent diminution in value, the difference is charged to the income & expenditure account as an impairment charge.

The heritable properties comprising Queen Margaret University's property estate were valued as at 31 July 2024 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors.

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)**

**(H) Fixed assets (continued)**

The valuation was prepared in accordance with the requirements of the RICS Valuation - Global Standards 2022 and the national standards and guidance set out in the UK National Supplement (November 2018), the International Valuation Standards, Financial Reporting Standard 102 and the 2019 Statement of Recommended Practice 'Accounting for Further and Higher Education'. The valuation was undertaken on a Fair Value basis. The valuations of specialised properties were derived using the Depreciated Replacement Cost (DRC) method, whilst the student residences were valued as a trading entity using a Discounted Cash Flow (DCF). Costs incurred in relation to a tangible fixed asset after its initial purchase or production are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance. The cost of routine maintenance is not capitalised, but is charged to the income and expenditure account in the year in which it is incurred.

Heritable land is not depreciated. Heritable buildings are depreciated on a straight-line basis over their expected useful lives of between 10 and 50 years. No depreciation is charged on assets in the course of construction. Equipment, including computer equipment and software, costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised and depreciated on a straight-line basis over periods ranging from three to five years, being its expected useful life.

**(I) Investments**

The treatment of investments in subsidiaries and joint ventures is dependent on the level of activity within the entity. Investments with a material level of activity are shown in the balance sheet as a share of net assets, otherwise these are shown at cost. Current asset investments are held at fair value with any movements recognised in the surplus or deficit.

**(J) 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. No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University’s treasury management activities.

**(K) Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

A contingent liability arises from a past event that imposes upon the University a possible obligation, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. A contingent liability may 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 where the amount of the obligation cannot be measured reliably. A contingent asset arises where an event has taken place which entitles the University to a possible asset, the existence of which 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 by way of a note.

**(L) 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 the 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 and

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

capital gains received within categories covered by sections 478 to 488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively for charitable purposes. The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT arising from expenditure on non-trading activities is charged to the income and expenditure account. Any irrecoverable VAT allocated to fixed assets is included in their cost.

### (M) Reserves

Reserves are classified as either restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the purposes for which it may use these funds. The policy is to revalue the estate at least every 5 years, and any surplus arising is added to the revaluation reserve.

### (N) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. It is the view of the directors that there are no significant or material accounting judgements. The following are the key sources of estimation uncertainty:

*Pension and other post-employment benefits*

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 21 to the financial statements.

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

In relation to the Local Government Pension Scheme, in accordance with the accounting policy adopted by the University, where the calculation at the year-end date results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover its share of the surplus, either through reduced contributions in the future or through refunds from the

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

scheme. The University assessed the recoverability of the asset on this basis and determined that it was appropriate that the surplus at 31 July 2024 was recognised in line with the requirements of FRS 102.

The extent to which any net pension asset can be recognised is subject to significant actuarial assumptions around the potential future costs associated with the scheme, and can be impacted by changes to actuarial assumptions and agreed contribution rates. In particular, asset recognition is based on the accounting for the assets and liabilities at a point in time and may change materially should steps to be taken to obtain any refund from the scheme in the future.

*Valuation of land and buildings*
The heritable property comprising the University's property estate was valued at 31 July 2024 by an external valuer, Gerald Eve LLP of the RICS Valuation - Global Standards (January 2022 edition) and the national standards and guidance set out in the UK national supplement (November 2018), the International Valuation Standards, Financial Reporting Standard 102 and the 2019 Statement of Recommended Practice 'Accounting for Further and Higher Education'.

The part of the University campus comprising the student accommodation was valued as a trading entity using a discounted cash flow (DCF), on the assumption of a continuation of the existing use. This exercise resulted in a revaluation gain of £0.1 million, which has been reflected in the financial statements. The valuation took into account the requirement to undertake an ongoing programme of maintenance works on the ability to generate income from summer letting activities.

The valuation of the part of the University campus comprising the academic buildings was derived using the Depreciated Replacement Cost (DRC) method). This exercise resulted in a revaluation gain of £3 million, and has been reflected in the financial statements.

Management has considered the basis used to undertake both valuations and has satisfied itself that the basis, and the resulting valuations, are reasonable. The net revaluation loss arising out of the two valuations was £3.2 million.

*Effect if actual results differ from assumptions*
The value of all of the University's land and buildings subject to revaluation was £136.0 million prior to the 2024 revaluation. The impact of a 5% change in valuation would be £6.8 million, either resulting in an increase or a decrease in the University's revaluation reserve or an additional impairment charge.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. TUITION FEES AND EDUCATION CONTRACTS

| (consolidated and university) | 2023/24 £000 | 2022/23 £000 |
|---|---|---|
| Scotland home domicile fees | 7,818 | 7,847 |
| European Union domicile fees | 2,501 | 2,135 |
| Rest of UK domicile fees | 1,919 | 1,706 |
| Non-European Union domicile fees | 5,591 | 5,255 |
| Other non-credit bearing course fees and discounts | (952) | (1,134) |
| Education contracts | 2,962 | 2,359 |
| | **19,839** | **18,168** |

### 2. SCOTTISH FUNDING COUNCIL GRANTS

| (consolidated and university) | 2023/24 £000 | 2022/23 £000 |
|---|---|---|
| Recurrent grants: | | |
| General Fund – Teaching | 18,369 | 17,367 |
| General Fund – Research and Innovation | 1,741 | 1,714 |
| Specific grants: | | |
| Capital maintenance grants | 116 | 378 |
| Ring-fenced grants funded by Scottish Government | 1,258 | 2,097 |
| Deferred capital grants released (note 16) | 649 | 649 |
| Other grants | 298 | - |
| | **22,429** | **22,204** |

### 3. RESEARCH GRANTS & CONTRACTS

| | Consolidated | | University | |
|---|---|---|---|---|
| | **2023/24** £000 | **2022/23** £000 | **2023/24** £000 | **2022/23** £000 |
| Research councils | 200 | 136 | 200 | 136 |
| UK based charities | 138 | 230 | 135 | 223 |
| UK government and health authorities | 1,073 | 967 | 1,073 | 964 |
| UK Private Sector | 13 | 24 | 13 | 24 |
| European funding | 193 | 531 | 193 | 531 |
| Other grants & contracts | 260 | 127 | 260 | 127 |
| | **1,877** | **2,015** | **1,873** | **2,006** |

### 4. OTHER OPERATING INCOME

| | Consolidated | | University | |
|---|---|---|---|---|
| | **2023/24** £000 | **2022/23** £000 | **2023/24** £000 | **2022/23** £000 |
| Residences, catering and conferences | 6,152 | 5,981 | 5,619 | 5,506 |
| Other services rendered | 279 | 347 | 218 | 241 |
| Sports centre income | 240 | 208 | 240 | 208 |
| Other income | 906 | 785 | 1,382 | 1,132 |
| | **7,577** | **7,321** | **7,459** | **7,087** |

## NOTES TO THE FINANCIAL STATEMENTS

### 5. INVESTMENT INCOME

| | Consolidated | | University | |
|---|---|---|---|---|
| | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 | 2022/23 £000 |
| Other investment income | 924 | 586 | 885 | 568 |
| Interest On Pension Asset | 1,208 | 412 | 1,208 | 412 |
| | **2,132** | **998** | **2,093** | **980** |

### 6. DONATIONS AND ENDOWMENTS (consolidated and university)

| | 2023/24 £000 | 2022/23 £000 |
|---|---|---|
| Unrestricted donations | 272 | 410 |
| | **272** | **410** |

### 7. STAFF COSTS

| | Consolidated | | University | |
|---|---|---|---|---|
| | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 | 2022/23 £000 |
| Staff costs | | | | |
| Wages and salaries | 24,312 | 22,517 | 24,277 | 22,411 |
| Social security costs | 2,522 | 2,349 | 2,522 | 2,349 |
| Movement on USS provision | (1,934) | (13) | (1,934) | (13) |
| Other pension costs | 4,733 | 5,066 | 4,733 | 5,066 |
| Restructuring costs | 533 | - | 533 | - |
| | **30,166** | **29,920** | **30,131** | **29,814** |

| **Emoluments of the Principal and Vice-Chancellor** | **2023/24** £000 | **2022/23** £000 |
|---|---|---|
| Sir Paul Grice | | |
| Salary | 218 | 210 |
| Employers’ pension contributions | - | - |
| In lieu of employers’ pension contribution | 36 | 35 |
| **Total** | **254** | **245** |

The head of the University’s basic salary is 5.57 times the median pay of staff (2022/23: 5.68 times), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. STAFF COSTS (continued)

**Key management personnel**
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University: this comprises the Senior Leadership Team. The total compensation for the year ended 31 July 2024 (including any employers' pension contributions) was £1,080,862 (year ended 31 July 2023: £1,003,273).

**University Court Members**
The University Court members are the trustees for charitable law purposes and are also the directors of the company limited by guarantee for company law purposes. Other than the Chair, University Court members receive no remuneration in respect of their duties as members of the University Court. A number of members of the University Court, including the Principal and Vice-Chancellor, receive a salary in respect of their employment with the University. Detail of such remuneration is set out below.

| | **2023/24** | **2022/23** |
|---|---|---|
| | £000 | £000 |
| Directors' emoluments (including pension contributions) | | |
| Fees for services as members of University Court | 24 | 15 |
| Emoluments (i.e. salaries as members of staff) | 656 | 630 |
| Contributions paid to pension schemes | 113 | 86 |
| **Total** | **793** | **732** |

These figures relate to 8 members of staff, including the Principal (2022/23 : 9)

The number of members of staff, including the Principal, who received remuneration (including benefits and excluding pension contributions) in each of the following ranges was:-

| | **2023/24** | **2022/23** |
|---|---|---|
| | Number | Number |
| **Senior post holders** | | |
| £100,001 to £110,000 | 1 | - |
| £110,001 to £120,000 | - | 1 |
| £120,001 to £130,000 | 1 | - |
| £130,001 to £140,000 | - | 1 |
| £140,001 to £150,000 | 1 | - |
| £150,001 to £160,000 | 1 | - |
| £230,001 to £240,000 | - | - |
| £240,001 to £250,000 | - | 1 |
| £250,001 to £260,000 | 1 | - |

No compensation payments were made to senior post holders in respect loss of office (2022/23: Nil).

| | **2023/24** | **2022/23** |
|---|---|---|
| Average full time equivalent (FTE) staff numbers by major category: | FTE number | FTE number |
| *(Consolidated and university)* | | |
| Academic schools | 246 | 226 |
| Academic services | 57 | 63 |
| Research grants & contracts | 16 | 28 |
| Residences, catering & conferences | 13 | 20 |
| Premises | 26 | 25 |
| Administration & central services | 147 | 133 |
| | **505** | **495** |

## NOTES TO THE FINANCIAL STATEMENTS

### 8. INTEREST PAYABLE AND OTHER FINANCE COSTS

| | Consolidated | | University | |
|---|---|---|---|---|
| | **2023/24** | **2022/23** | **2023/24** | **2022/23** |
| | £000 | £000 | £000 | £000 |
| Loan interest | 689 | 746 | 689 | 746 |
| Net charge on pension scheme | 43 | 61 | 43 | 61 |
| | **732** | **807** | **732** | **807** |

### 9. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

| | Consolidated | | University | |
|---|---|---|---|---|
| | **2023/24** | **2022/23** | **2023/24** | **2022/23** |
| | £000 | £000 | £000 | £000 |
| Academic schools | 20,275 | 18,622 | 20,275 | 18,622 |
| Academic services | 5,467 | 5,385 | 5,467 | 5,385 |
| Research grants & contracts | 1,521 | 1,853 | 1,529 | 1,835 |
| Other services rendered | 282 | 329 | 227 | 233 |
| Residences, catering and conferences | 3,272 | 3,491 | 3,179 | 3,369 |
| Premises | 9,446 | 9,161 | 9,446 | 9,161 |
| Administration & central services | 10,998 | 10,254 | 10,975 | 10,230 |
| Other expenses | (259) | 1,860 | (259) | 1,860 |
| Total per income and expenditure account | **51,002** | **50,955** | **50,841** | **50,694** |

Other expenses show as a credit due to the movement on the USS pension (£1.9m).

### 10. OTHER OPERATING EXPENSES

| | Consolidated | | University | |
|---|---|---|---|---|
| | **2023/24** | **2022/23** | **2023/24** | **2022/23** |
| | £000 | £000 | £000 | £000 |
| External auditors – audit fees | 184 | 144 | 163 | 123 |
| External auditors – non-audit fees | 4 | 4 | - | - |
| Internal audit | 31 | 22 | 31 | 22 |
| Grants to QMU Students' Union | 326 | 294 | 326 | 294 |
| Other expenses | 13,753 | 14,360 | 13,653 | 14,228 |
| | **14,298** | **14,823** | **14,173** | **14,668** |

**NOTES TO THE FINANCIAL STATEMENTS**

**11. INTANGIBLE ASSETS** (consolidated and university)

| | £000 |
|---|---|
| **Cost or valuation:** | |
| At 1 August 2023 | 903 |
| Additions at cost | 77 |
| Assets under construction | 1,343 |
| At 31 July 2024 | 2,323 |
| **Amortisation:** | |
| At 1 August 2023 | (239) |
| Provided during the year | (191) |
| At 31 July 2024 | (430) |
| **Net book amount at 31 July 2024** | **1,893** |
| Net book amount at 1 August 2023 | 664 |

**12. TANGIBLE ASSETS** (consolidated and university)

| | Freehold land and buildings £000 | Fixtures, fittings, and equipment £000 | **TOTAL** £000 |
|---|---|---|---|
| **Cost or valuation:** | | | |
| At 1 August 2023 | 136,024 | 9,324 | 145,348 |
| Additions at cost | - | 418 | 418 |
| Under Construction | - | 1,265 | 1,265 |
| Revaluation of buildings | (3,249) | - | (3,249) |
| At 31 July 2024 | 132,775 | 11,007 | 143,781 |
| **Depreciation:** | | | |
| At 1 August 2023 | - | (8,707) | (8,707) |
| Written back due to revaluation | 5,337 | - | 5,337 |
| Provided during the year | (5,337) | (277) | (5,614) |
| At 31 July 2024 | - | (8,984) | (8,984) |
| **Net book amount at 31 July 2024** | **132,775** | **2,023** | **134,797** |
| Net book amount at 1 August 2023 | 136,024 | 617 | 136,641 |
| **Analysis of net book amount at 31 July 2024** | | | |
| Financed by capital grant | 4,962 | - | 4,962 |
| Other | 127,813 | 2,023 | 129,836 |
| | **132,775** | **2,023** | **134,797** |

## NOTES TO THE FINANCIAL STATEMENTS

The heritable properties comprising Queen Margaret University's property estate were valued as at 31 July 2024 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation - Global Standards 2022 and the national standards and guidance set out in the UK national supplement (November 2018), the International Valuation Standards, Financial Reporting Standard 102 and the 2019 Statement of Recommended Practice 'Accounting for Further and Higher Education'. The valuations of specialised properties were derived using the Depreciated Replacement Cost (DRC) method, whilst the student residences were valued as a trading entity using a Discounted Cash Flow (DCF). Barclays Bank PLC held a standard security dated 17 December 2014, over the student accommodation situated on the University campus. This was in place at the balance sheet date but removed following repayment of the loan.

The University has a modest collection of works of art and other items of historical interest. No value is included within fixed assets in respect of this collection as it is not considered to be material.

### 13. INVESTMENTS

| Name of undertaking | Country of incorporation and registration | Description of shares held | Proportion of nominal value of shares held | Cost at 31 July 2024 | Cost at 1 August 2023 |
|---|---|---|---|---|---|
| | | | % | £ | £ |
| **QMU Enterprises Ltd** | Scotland | Ordinary £1 shares | 100 | 100 | 100 |
| **Edinburgh Innovation Park Joint Venture Company Ltd** | Scotland | Ordinary £1 shares | 50 | N/A | 1 |
| | | | | **100** | **101** |

QMU Enterprises Limited, a wholly owned subsidiary company, undertakes activities which, for legal or commercial reasons, are more appropriately channelled through a separate limited company. These activities include vacation letting, conferences and rendering of services (other than research) for a variety of commercial and other organisations. The results of QMU Enterprises Limited have been consolidated into the group financial statements.

The University holds a 50% share in Edinburgh Innovation Park Joint Venture Ltd, with East Lothian Council holding the remaining 50% share. As detailed in the Statement of Accounting Principles, section (B), the University has recognised its share of the net assets. As at 31 July 2024, the consolidated position of Edinburgh Innovation Park Joint Venture Ltd reported total assets of £10.4m, including work in progress of £6.6m and cash of £3.1m, and liabilities of £10.5m, of which £10.4m related to income received in advance. The net result of these is a negative net asset position of (£68,655), of which the University has recognised (£34,327) as a non-current liability.

### 14. TRADE AND OTHER RECEIVABLES:

| Amounts falling due within one year | Consolidated | | University | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | £000 | £000 | £000 | £000 |
| Trade debtors | 1,476 | 883 | 1,371 | 777 |
| Prepayments and accrued income | 1,395 | 1,820 | 1,395 | 1,805 |
| Amounts due from subsidiary company | - | - | 857 | 582 |
| Amounts due from joint venture | - | - | - | - |
| | **2,870** | **2,703** | **3,622** | **3,163** |

## NOTES TO THE FINANCIAL STATEMENTS

**15. CREDITORS:**
Amounts falling due within one year

| | Consolidated | | University | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | £000 | £000 | £000 | £000 |
| Secured loans (see note 16) | 15,809 | 1,343 | 15,809 | 1,343 |
| Trade creditors | 1,664 | 793 | 1,664 | 791 |
| Social security and other taxation payable | 687 | 762 | 673 | 680 |
| Accruals and deferred income | 6,057 | 6,390 | 5,471 | 6,090 |
| Unsecured loans | 686 | 171 | 686 | 171 |
| Deferred capital grants (see note 16) | 649 | 649 | 649 | 649 |
| Amounts Due to Joint Venture | 90 | 89 | 90 | 89 |
| | **25,642** | **10,195** | **25,041** | **9,812** |

**16. CREDITORS:**
Amounts falling due in more than one year (consolidated and university)

| | **2024** | **2023** |
|---|---|---|
| | £000 | £000 |
| Secured loans (see note 15) | - | 15,809 |
| Unsecured loans | 2,217 | 2,368 |
| Deferred capital grants | 4,313 | 4,962 |
| | **6,530** | **23,139** |
| Analysis of secured loans:- | | |
| Due between one and two years | - | 15,809 |
| Due between two and five years | - | - |
| Due in five years or more | - | - |
| Total due after more than one year | - | 15,809 |
| Due within one year (note 15) | 15,809 | 1,343 |
| Total secured loans | **15,809** | **17,151** |
| Analysis of unsecured loans:- | | |
| Due between one and two years | 164 | 171 |
| Due between two and five years | 449 | 455 |
| Due in five years or more | 1,603 | 1,743 |
| Total due after more than one year | 2,217 | 2,368 |
| Due within one year (note 15) | 686 | 171 |
| Total unsecured loans | **2,903** | **2,539** |
| Analysis of Deferred capital grants:- | | |
| Due between one and two years | 649 | 649 |
| Due between two and five years | 1,947 | 1,947 |
| Due in five years or more | 1,717 | 2,366 |
| Total due after more than one year | 4,313 | 4,962 |
| Due within one year (note 15) | 649 | 649 |
| Total Deferred capital grants | **4,962** | **5,611** |

**NOTES TO THE FINANCIAL STATEMENTS**

The secured loan from Barclays is repayable in full on 17 December 2024. The loan is therefore shown as being fully repayable within 1 year.

The unsecured loans have been provided by the Scottish Funding Council. £2.647 million has been provided under the Financial Transactions scheme. This loan is unsecured, and is repayable in equal quarterly instalments over the period to 31 March 2040. An unsecured loan of £521k has been included within the accounts to reflect overdrawn bank accounts as at 31 July 2024. These have subsequently been repaid from cash reserves.

Deferred capital grants due to be released within one year are included within Creditors: amounts falling due within one year.

**17. PENSION ASSETS & PROVISIONS** (consolidated and university)

| | Obligation to fund deficit on USS Pension | Pension enhancements | Defined benefit assets & obligations LGPS | Total provisions |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| At 1 August 2023 | (1,891) | (2,272) | 24,147 | **19,984** |
| Utilised in year | (43) | 164 | 1,406 | **1,527** |
| Transfer (to)/from income & expenditure account | 1,934 | (104) | (857) | **973** |
| At 31 July 2024 | **-** | **(2,212)** | **24,696** | **22,484** |

The University has a liability to fund the past deficit on the Universities Superannuation Scheme (USS). This obligation arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. The University has assessed future staff levels within the USS scheme and salary inflation over the period of the contractual obligation in assessing the value of this provision. Further information is provided in note 21(C).

The University also has a liability for pension enhancements payable to former members of staff who have taken early retirement in prior years. An actuarial valuation of the amount of this liability was carried out by Hymans Robertson, Actuaries, at 31 July 2024, on the basis of valuation prescribed by FRS 102, and using the same set of assumptions as are set out in note 21 in relation to the valuation of the Local Government Pension Scheme.

Detail of the movement in the Local Government Pension Scheme (LGPS) provision is set out in note 21(A).

## NOTES TO THE FINANCIAL STATEMENTS

### 18. ENDOWMENT RESERVES

**Consolidated and University**

| | Restricted Expendable £000 | Restricted Permanent £000 | Restricted Total £000 |
|---|---|---|---|
| **Balance at 1 August 2023** | **1,104** | **47** | **1,152** |
| Income for year | 272 | - | 272 |
| Expenditure for year | (293) | - | (293) |
| **At 31 July 2024** | **1,084** | **47** | **1,131** |
| Represented by: | | | |
| Capital value | - | 36 | 36 |
| Accumulated income | 1,084 | 12 | 1,096 |
| | **1,084** | **47** | **1,131** |

### 19. REVALUATION RESERVE

| | Consolidated and University 2024 £000 | 2023 £000 |
|---|---|---|
| At 1 August | 88,898 | 80,889 |
| Revaluation (losses) /gains | 2,087 | 8,009 |
| Release to general reserve | - | - |
| **At 31 July** | **90,985** | **88,898** |

### 20. CONSOLIDATED RECONCILIATION OF NET DEBT

**Consolidated and University**

| | £000 |
|---|---|
| Net debt at 1 August 2023 | 2,241 |
| Increase in cash and bank balances | (1,163) |
| Secured loans repaid | (1,343) |
| Unsecured loans taken out | 521 |
| Unsecured loans repaid | (158) |
| **Net debt at 31 July 2024** | **98** |

## NOTES TO THE FINANCIAL STATEMENTS

### 20. CONSOLIDATED RECONCILIATION OF NET DEBT (Continued)

| **Analysis of net debt** | **Consolidated and University** | |
|---|---|---|
| | **2024** | **2023** |
| | £000 | £000 |
| Cash at bank and in hand | (18,613) | (17,450) |
| *Borrowings : amounts falling due within one year* | | |
| Secured loans | 15,809 | 1,343 |
| Unsecured loans | 686 | 171 |
| | 16,494 | 1,514 |
| *Borrowings : amounts falling due after more than one year* | | |
| Secured loans | - | 15,809 |
| Unsecured loans | 2,217 | 2,368 |
| | 2,217 | 18,177 |
| **Net debt as at 31 July** | **98** | **2,241** |

### 21. PENSIONS AND SIMILAR ASSETS / OBLIGATIONS

The University's employees belong to three principal pension schemes, the Scottish Teachers Pension Scheme (STPS), the Local Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS).

| | **Consolidated and University** | |
|---|---|---|
| | **Year ended 31 July 2024** | **Year ended 31 July 2023** |
| *The total pension charge is analysed as follows:-* | **£000** | **£000** |
| Lothian Pension Fund (LGPS) | 1,496 | 2,284 |
| Scottish Teachers' Pension Scheme | 2,916 | 2,333 |
| Universities Superannuation Scheme | 1,934 | 393 |
| | **6,346** | **5,010** |

Employers' pension contributions for the year to 31 July 2024 are £6,346,000. Actual employers' pension contributions in the year to 31 July 2023 were £5,010,000.

#### A) Local Government Pension Scheme (LGPS)

The Lothian Pension Fund is a funded multi-employer defined benefit scheme, with the assets held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisors.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

The following information is based upon a full actuarial valuation of the fund at 31 March 2023 updated to 31 July 2024 by a qualified independent actuary, Hymans Robertson LLP.

| Assumptions at | **31 July 2024** | **31 July 2023** | **31 July 2022** |
|---|---|---|---|
| Pension increase rate | 2.75% | 3.00% | 2.75% |
| Salary increase rate | 3.45% | 3.50% | 3.25% |
| Discount rate | 5.00% | 5.05% | 3.50% |

The fund is valued every three years by professionally qualified independent actuaries using the projected unit credit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the scheme actuary reviews the progress of the scheme. The actuary has indicated that the resources of the scheme are likely, in the normal course of events, to be sufficient to meet the liabilities as they fall due at the level specified by the scheme regulations. The agreed employer's contribution rate for the University was 20.4% for the 2020 valuation and 17.6% for the 2023 valuation, which came into effect from 1 April 2024.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice. The assumptions noted above relate to expectations across the duration of the scheme and therefore are based on longer-term estimations.

The mortality assumptions used to value the Obligations in the University's Closing Position are different to those used to value the Obligations in the University's Opening Position. A commutation allowance is included for future retirements to elect to take 70% of the maximum additional tax-free cash up to HMRC limits. All other demographic assumptions are consistent with those used for the latest formal funding valuation, and include sufficient allowance for future improvements in mortality rates. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. for both males and females. The assumed life expectations on retirement at age 65 are:-

| | **31 July 2024 No. of years** | **31 July 2023 No. of years** |
|---|---|---|
| *Current pensioners* | | |
| Males | 20.2 | 19.8 |
| Females | 23.9 | 22.7 |
| *Future pensioners (assumed aged 45 at last formal revaluation date)* | | |
| Males | 21.4 | 21.0 |
| Females | 24.9 | 24.5 |

## NOTES TO THE FINANCIAL STATEMENTS

### 21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

**A) Local Government Pension Scheme (LGPS) (continued)**

**Analysis of the amount shown in the balance sheet**

| | Value at 31 July 2024 | (Restated) Value at 31 July 2023 | Value at 31 July 2022 | Value at 31 July 2021 | Value at 31 July 2020 |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Estimated employer assets (A)** | 82,443 | 75,944 | 74,429 | 69,844 | 60,469 |
| Present value of scheme liabilities | (57,747) | (51,797) | (61,832) | (90,361) | (90,773) |
| Present value of unfunded liabilities | (365) | (377) | (470) | (573) | (680) |
| **Total value of liabilities (B)** | **(58,112)** | **(52,174)** | **(62,302)** | **(90,934)** | **(91,453)** |
| **Net pension asset/(liability) (A) – (B)** | **24,331** | **23,770** | **12,127** | **(21,090)** | **(30,984)** |

** In accordance with the accounting policy adopted by the University, where the calculation above results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover its share of the surplus, either through reduced contributions in the future or through refunds from the scheme. In 2023 the University has now recognised the net asset in full, to reflect that in line with FRS 102 accounting standards there is a theoretical right to refund and therefore the asset should be recognised as such based on the FRS 102 accounting estimates at the balance sheet date.*

*The University's liability to unfunded pensions has been recognised separately within provisions.*

**Analysis of movements in the present value of the scheme liabilities**

| | 31 July 2024 | 31 July 2023 |
|---|---|---|
| | **£000** | **£000** |
| **Opening defined benefit obligation** | **52,174** | **62,302** |
| Current service cost | 1,496 | 2,274 |
| Interest cost on defined benefit obligation | 2,646 | 2,199 |
| Contributions by members | 554 | 510 |
| Actuarial losses / (gains) | 3,077 | (13,450) |
| Unfunded benefits paid | (37) | (34) |
| Benefits paid | (1,798) | (1,627) |
| **Closing defined benefit obligation** | **58,112** | **52,174** |

## NOTES TO THE FINANCIAL STATEMENTS

### 21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

**Analysis of movement in the market value of the scheme assets**

| | 31 July 2024 £000 | 31 July 2023 £000 |
|---|---|---|
| **Opening fair value of employer assets** | **75,944** | **74,429** |
| Expected return on assets | 2,449 | (1,552) |
| Other experience | (217) | - |
| Contributions by members | 554 | 510 |
| Contributions by employer | 1,657 | 1,573 |
| Contributions in respect of unfunded benefits | 37 | 34 |
| Interest income on plan assets | 3,854 | 2,611 |
| Unfunded benefits paid | (37) | (34) |
| Benefits paid | (1,798) | (1,627) |
| **Closing fair value of employer assets** | **82,443** | **75,944** |

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits. As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility led to increased costs for schemes (including the LGPS) and hence for scheme employers. An allowance for full GMP indexation was included within the 31 March 2020 funding valuation position and therefore the allowance is automatically included within the balance sheet figure at 31 July 2024. It is anticipated that a further ruling relating to historical transfers is unlikely to be significant in terms of impact on the University's pension obligations. As a result, no allowance has been made for this within the calculation of the level of provision at 31 July 2024.

In April 2015, wholesale changes were made to the Local Government Pension Scheme in Scotland to reform the scheme's benefits structure. These changes were implemented as part of wider reforms to public sector pensions introduced by the UK Government's Public Service Pensions Act 2013. In the LGPS, these changes included moving benefit accrual from a final salary to a career average basis, and linking members' normal retirement age to their state pension age. Transitional provisions were introduced for members who were within 10 years of normal retirement age in 2012. These transitional protection arrangements applied across public service pension schemes where older members were permitted to remain in their pre-2015 schemes. In the LGPS all members were moved onto the new arrangements from 1 April 2015. However, those within 10 years of their normal pension age on 1 April 2012 were protected through a statutory 'underpin'. This underpin protection provides that additional checks are undertaken for qualifying members to ensure that the career average pension payable under the reformed LGPS is at least at high as the member would have been entitled to receive under the final salary scheme. Where it is not as high, scheme regulations provide that an addition must be applied to the member's career average pension to make up the shortfall. In the 'McCloud' and 'Sargeant' court cases (which related to the judicial and firefighters' pension schemes respectively), the Court of Appeal found that the transitional protection arrangements directly discriminated against younger members in those schemes. In July 2019, the UK government confirmed its view that these rulings had implications for all the main public service pension schemes, including the LGPS, and that the discrimination would require to be addressed in all the relevant schemes, regardless of whether

## NOTES TO THE FINANCIAL STATEMENTS

### 21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

members had lodged a legal claim. An allowance for the estimated impact of the McCloud judgement was included within the 31 March 2020 funding valuation position. The impact was calculated based on the eligibility criteria of being included within the proposed solution for the McCloud judgement (i.e. any active member who was a participant in the Fund as at 1 April 2012 will be given the greater of the final salary pension or CARE pension upon retirement). The McCloud allowance will therefore automatically be included within the 31 July 2024 balance sheet provision.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. Part of the High Court decision was appealed, and the Court of Appeal was asked to consider whether the actuary's written confirmation was only required if an alteration to the rules of the scheme affected pension benefits attributable to past service at the date of the alteration, OR whether the actuary's confirmation was also required if the alteration affected the pension benefits that a member would earn by future services. In a decision handed down on 25 July 2024, the court dismissed the appeal and confirmed in relation to alterations made between 6 April 1997 and 5 April 2013, section 9(2B) rights included both past service rights and future service rights.

The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary’s Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under FRS 102, or if it can be reliably estimated. As a result, Lothian Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

#### B) Scottish Teachers’ Pension Scheme (STPS)

The Scottish Teachers’ Pension Scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and who pay contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation used the Projected Unit Methodology, and was carried out in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (as amended). The valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% of pensionable pay from employee contributions. The notional fund at 31 March 2016 amounted to £21.5 billion, and total scheme liabilities for service amounted to £22.8 billion, giving a notional past service deficit of £1.3 billion, which is being repaid by a supplementary rate of 4.3% of employers’ pension contributions over a 15-year period from 1 April 2019. This contribution is included in the 23.0% employers’ contribution rate. The University has no liability for other employers’ obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the most recent valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases, that held that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. The agreed employer contribution rate from 1 April 2024 was 26%.

#### C) Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme, which is 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 scheme, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the University therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the consolidated Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period.

A deficit recovery plan was put in place as part of the 2020 valuation, which required payment of 6.2% of salaries over the period 1 April 2022 until 31 March 2024, at which point the rate would increase to 6.3%. No deficit recovery plan was required under the 2023 valuation because the scheme was in surplus on a technical provisions basis. The institution was no longer required to make deficit recovery contributions from 1 January 2024 and accordingly released the outstanding provision to the profit and loss account.

The latest available complete actuarial valuation of the Retirement Income Builder is as at 31 March 2023 (the valuation date), which was carried out using the projected unit method. Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2023 valuation was the seventh valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to have sufficient and appropriate assets to cover their technical provisions (the statutory funding objective). At the valuation date, the value of the assets of the scheme was £73.1 billion and the value of the scheme's technical provisions was £65.7 billion indicating a surplus of £7.4 billion and a funding ratio of 111%.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

The key financial assumptions used in the 2023 valuation are described below. More detail is set out in the Statement of Funding Principles (uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles).

| | |
|---|---|
| Price inflation – Consumer Prices Index | 3.0% p.a. (based on a long-term average expected level of CPI, broadly consistent with long-term market expectations) |
| RPI / CPI gap | 1.0% p.a. to 2030, reducing to 0.1% p.a. from 2030 |
| Pension increases (subject to a floor of 0%) | Benefits with no cap:<br>CPI assumption plus 3bps<br><br>Benefits subject to a “soft cap” of 5% (providing inflationary increases up to 5%, and half of any excess inflation over 5% up to a maximum of 10%):<br>CPI assumption minus 3bps |
| Discount rate (forward rates) | Fixed interest gilt yield curve plus:<br>• Pre-retirement: 2.5% p.a.<br>• Post retirement: 0.9% p.a. |

The main demographic assumption used relates to the mortality assumptions. The assumptions are based on analysis of the scheme’s experience carried out as part of the 2023 actuarial valuation. The mortality assumptions used in these figures are as follows:-

| | **2023 valuation** |
|---|---|
| Mortality base table | 101% of S2PMA “light” for males and 95% of S3PFA for females |
| Future improvements to mortality | CMI 2021 with a smoothing parameter of 7.5, an initial addition of 0.4% p.a., 10% w2020 and w2021 parameters, and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females |

The current life expectancies on retirement at age 65 are:

| | **2024** | **2023** |
|---|---|---|
| Males currently aged 65 (years) | 23.7 | 24.0 |
| Females currently aged 65 (years) | 25.6 | 25.6 |
| Males currently aged 45 (years) | 25.4 | 26.0 |
| Females currently aged 45 (years) | 27.2 | 27.4 |

**D) Other pension liabilities**

The University has a liability for pension enhancements payable to former members of staff who have taken early retirement in prior years. An actuarial valuation of the amount of this liability was carried out by Hymans Robertson, Actuaries at 31 July 2024 on the basis of valuation prescribed by FRS 102. The total provision in respect of this liability is £1.847 million (2023: £1.895 million).

## NOTES TO THE FINANCIAL STATEMENTS

### 22. FINANCIAL INSTRUMENTS

The University applies the provisions of Sections 11 and 12 of FRS 102 in full. The University's financial assets and liabilities all meet the criteria for basic financial instruments prescribed within FRS 102 – Section 11.8.

### 23. RELATED PARTY TRANSACTIONS

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

### 24. HARDSHIP AND CHILDCARE FUNDS

| | 2023/24 £000 | 2022/23 £000 |
|---|---|---|
| **HARDSHIP FUND** (undergraduate and postgraduate) | | |
| Balance at 1 August 2023 | - | 0 |
| Amounts received from Student Awards Agency for Scotland | 167 | 198 |
| Interest received | 2 | 4 |
| Amount vired (to) /from Childcare Fund | (3) | 52 |
| | 166 | 253 |
| Disbursed to students | (156) | (253) |
| Other costs | (11) | - |
| Refunded to Student Awards Agency for Scotland | - | - |
| Balance unspent at 31 July 2024 | - | - |
| **CHILDCARE FUND** | | |
| Balance at 1 August | - | - |
| Amounts received from Student Awards Agency for Scotland | 122 | 145 |
| Interest Received | 1 | 2 |
| | 122 | 147 |
| Disbursed to students | (125) | (111) |
| Amount vired (to) / from Hardship Fund | 3 | (36) |
| Refunded to Student Awards Agency for Scotland | - | - |
| Balance unspent at 31 July 2024 | - | - |

Amounts received from the Student Awards Agency for Scotland are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure.